Eastern Economist

Vol. 64 - 1975

Part II

ood: fair and firm

THE MINISTER of state for Agriculture, Mr A.P. Shinde, indicated in the Rajya Sabha a few days ago the main lines of the central government's policy for the procurement of wheat during the 1975-76 marketing season. Delhi may be congratulated at once on rejecting the defeatist formula for reviving discredited system of monopoly procurement. It is now proposed to vest state rnments with freedom of choice regarding the mode of procurement but it has been dly prescribed that the scheme could be either a system of levy or purchases in regu- d markets or a combination o: both. State governments will also be able to regulate marketing of wheat within their respective state boundaries and for this purpose could rely on either administrative measures or statutory regulations as they might sider necessary. Interstate movement of wheat, however, is to be allowed only on ral government account. Mr Shinde also stated that the central government had ded to accept the recommendation of the Agricultural Prices Commission that the curement price for wheat should be maintained at Rs 105 per quintal for all varie- of the grain and that, correspondingly, the issue price for the wheat st... n the central pool for the public distribution system would also rema... he current level.

It is too much to expect that this policy would be fully acceptable to ... cerned. Already there is a sharp debate over the central governm... sider an increase in the procurement price; it has been said that the ... sion is ... particularly to the wheat farmers in surplus states who are being harassed by in- ses in costs of inputs. The Punjab government, for instance, is reported to be e unhappy but it is doubtful that New Delhi will budge. Mr Shinde, however, has cated that the central government would be introducing a suitable bonus scheme with ew to help maximize procurement for the central pool. This is about as far the ernment of India is likely to go in permitting a thaw in the procurement price freeze ch it is so obviously anxious to preserve.

This attitude is consistent with the prime priority which the central governmnet's ic economic policy has now accorded to the anti-inflationary objective. Having de- ed not to increase the issue price of wheat, New Delhi has no option but to reject an vard revision of the procurement price. A different course would necessarily burden central exchequer with liabilities for a food subsidy larger than those contemplated ts budget for 1975-76. It may be recalled here that, as against the budget provision food subsidy at Rs 100 crores for 1974-75, the revised estimate had gone up to as h a figure as Rs 295 crores. For the new financial year the budget provision for food sidy has been fixed at this high figure of Rs 295 crores and in doing so the govern- nt has assumed, presumably, that both the procurement price and the issue price uld remain unchanged. It is possible that this year food imports might be obtained somewhat easier terms as compared with last year — the United States is provid- 800,000 tons of PL 480 wheat. But, if there is a saving in expenditure on this ount it should certainly be used for reducing the burden of the food subsidy the central exchequer especially as the central budget for 1975-76 is a deficit dget.

At the same time, given the general economic conditions as well as the particular cumstances of the farm economy, the wheat growers' yearning for better earnings not unjustified. Also reasonable is the desire of the governments of surplus states to ure if possible an improved deal for their wheat farmers. A lot could be done here haps through the intelligent ordering of the procurement system within individual tes which is now the responsibility of the respective state governments. Perhaps best approach for a state government would be to meet its commitment for the ntral pool through a compulsory levy on farmers, who would be paid the procure- nt price for the quantities due from them in this way and then leave it to them to

eastern ECONOMIST

APRIL 4, 1975

dispose of the rest of their produce at prices obtainable in the open market within that state.

So that this arrangement could operate to the reasonable advantage of the wheat producers, two conditions will have to be fulfilled. First, the normal trade channels should be allowed to operate freely within the state and, secondly, regulated despatches by traders in surplus states to destinations in deficit areas should be allowed to take place under a system of government licensing. This licensing machinery could be run either by the central government directly or by the state government concerned under the overseeing control of New Delhi. It is not claimed that these suggestions are perfect in themselves, but it could certainly be pleaded that they would assist in the government's wheat policy persevering to meet the demands of the nation's food economy in a difficult period with a combination of fairplay for farmers, protection for consumer interests and consideration for the political, financial and administrative limitations impinging on the governments at the centre and in the states. Meanwhile, the central government may be complimented on the basic realism of its decisions on the broad elements of a food policy which clearly bears the stamp of its extremely practical minister for Food and Agriculture.

State of the squeeze

THE RECENT utterances by the union Finance minister, Mr C. Subramaniam, and the Deputy Governor of the Reserve Bank, Dr R. K. Hazari, about the efficacy of the policy of credit squeeze enforced from October 1973, and particularly from the middle of last year, seemed to indicate that the recent slower growth of gross advances has been due to the careful watch maintained by the monetary authorities over the dispensation of credits. It has, therefore, been suggested that the curb should not be relaxed as inflation has not been brought under control, though the union minister for Agriculture, Mr Jagjivan Ram, has observed that there is likelihood of relaxation of curbs in some directions.

There is at the same time uninformed criticism in some quarters that credit expansion has again been on a large scale since the beginning of this year and banks are not so strict in restricting credit limits as before. An analysis of the changes in deposits, advances and borrowings of scheduled commercial banks under the Bill Market Scheme and against refinance facilities, between October 25, 1974 and March 14, 1975, however, shows that the pace of credit expansion has been slowed down on account of the decelerating effect of the imported inflation and a hopping trend in the upward movement of wholesale prices within the country.

There is even reason to believe that expansion of non-food credit in the current busy season so far would have been of much smaller dimensions if heavy stocks of steel, nonferrous metals, fertilisers and intermediate-chemicals had not necessitated the locking up of huge funds. It has also to be remembered that sugar stocks have risen by over four lakh tonnes as compared to the last season, October-February, and the textile industry too has been experiencing an accummulation of stocks of cloth and yarn. The increase in gross advances during the period under reference, including bills discounted, and purchased and procurement credit, was thus Rs 704.20 crores against Rs 958.62 crores in the corresponding period in 1973-74. The actual rise in bank credit was Rs 651.08 crores against Rs 756.40 crores while borrowing under Bill Market Scheme rose by Rs 53.12 crores against Rs 202.22 crores. The adjustments in respect of procurement credit, in spite of smaller purchases of rice and coarse cereals, were responsible for a bigger rise in foodgrain advances by Rs 181 crores against Rs 113 crores. The growth in non-food credit was therefore only Rs 523 crores against Rs 846 crores.

In view of the locking up of funds in stocks of steel, fertilisers, non-ferrous metals, sugar and cloth and yarn, it is permissible to infer that there has been a marked reduction in the rate
of credit in recent month
directions. A correct app
the significance of the ne
necessary for finding out
restrictive policy is not havin
harmful effects on the operati
industrial units.

An enquiry into the mann
tion of bank funds in recent
also be helpful in determini
extent wasteful use of scarce
change resources has resulted
less accummulation of stock
priced items and compel bank
liberal credit for nursing t
which will eventually be res
heavy losses being suffered by
corporations. Alternatively,
vantage of canalising impor
by them for averaging prices
quent cheaper imports, th
consumers may be obliged to
average prices for their requir
obviating the losses of the c
though a heavy loss in terms
exchange on needlessly cos
would in any case have been s

The scheduled commercial
not felt any serious difficulty
the needs of their constitue
current busy season up to Ma
the growth in deposits was qu
ing at Rs 567.36 crores again
421.73 crores in the same
1973-74. Borrowings have
smaller scale, the increase bein
crores against Rs 299 crores.
tion in the cash reserve ratio t
cent from five per cent has b
in observing the higher liquidi
33 per cent and also extendin
to the re-issue of central loans
week of December 1974.

With the peak of the bu
having been comfortably pass
now to be examined what the
gross credit will be upto t
April and how procurement
against rabi crops and continui
of food grains will create new
for the banking system. In the
1973-74 busy season, the increa
bank credit was Rs 1,353 crore
fresh borrowing under the B

of Rs 244 crores. It is unlikely gregate credit expansion in the busy season will exceed Rs 950 The position at the end of April likely to be fairly comfortable.

king further ahead, it is possible cipate a definite improvement in ter half of the forthcoming slack There will, of course, be a bigger d for procurement finance as the ment might be anxious to up buffer stocks by about three n tonnes. This may not be difficult rate of procurement is kept up in uly this year and imported stocks are conserved as far as possible. dditional credit on this account may, ore, be Rs 300 crores till the end of nd there may not be any net con- on in food credits by Rs 169 crores appened in the last year's slack n, It can be expected, however, he growth in deposits will be Rs rores in May-October and with the hood of release of funds against stocks to some extent, there may e any big increase in non-food cre- There may also be some relief aris- ut of a contraction in stock of steel, sers and non-ferrous metals. Allow- owever, for the possibility of a pick industrial production and replenish- of depleted inventories non-food may increase in some directions neutralise the advantage accruing of a reduction in the stocks of sugar, and other items.

he member banks can, therefore, ct to overcome the strain imposed fresh rise in advances by Rs 250 s in the last six weeks of the busy n and also meet easily the credit s of the food corporation in other cies in the coming months. It may ecessary, however, to extend liberal etionary accommodation for pro- ment puposes in May-July and the ber banks can be asked to reduce borrowings under the Bill Market me and against refinance facilities tantially in the later months. They even be anxious to reduce their owings as there is likely to be a plus" of Rs 300 crores after meeting procurement needs and fulfilling statutory obligations.

If the developments in the money market during the forthcoming slack season take place on these lines and if it is complained by industrial units that credit limits were unduly restrictive there should be no hesitation to revise cash credit limits, and provide the necessary encouragements for boosting production. While it cannot be denied that the restrictive credit policy has induced financial discipline in borrowers to some extent. it should not be over-looked that other forces have been in operation and the situation has been brought under control mainly because of the adjustments arising out of imported inflation having been largely completed. There has, even been a reduction in the outlay on imported items because of a downtrend in prices for metals, fertilisers and other items laterly and the pressure on the banking system would have been less keenly felt but for locking up of funds additionally to the tune of over Rs 300 crores due to excessive stocks of steel, fertilisers and non-ferrous metals.

It is not therefore correct to claim that credit curbs and high lending rates have had the desired effect and checked inflation. On the other hand, expectations of lower world prices and an improvement in the food situation have discouraged inventory build-up. It is, therefore imperative that ampler and cheaper credits should be provided for productive purposes and a flexible policy pursued in the light of the changing circumstances. Mulish persistence in restrictive credit and high lending rates in a changing situation may be more harmful than beneficial. It is also pertinent to point out that the futility of dearer money for checking inflation brought about by unprecedented factors is being recognised in the developed countries and a policy of reflation is being attempted, in many countries. There is a lesson for our credit planners in these new devolopment.

Dialogue on tea

AT THE ANNUAL general meeting of the Indian Tea Association held in Calcutta on March 15, Mr G.P. Goenka, its chairman, and Prof. D. P. Chattopadhyaya, the union Commerce minister, highlighted the large potential for augmenting the earnings of foreign exchange by increasing the export of packet tea. Mr Goenka said that packet tea, on an average, would earn 50 per cent more foreign exchange than bulk tea for the same number of kilograms. In other words, if India at present earns Rs 200 crores annually by exporting all its tea in bulk, she could get Rs 300 crores if all this tea is exported in packets. He was, of course, not suggesting that India should export all its tea in packets but was only pointing out the big export potential in this sphere. He estimated that even if only 20 per cent of our tea could be exported in packets, on today's level of prices, we could earn Rs 20 crores more of foreign exchange.

Prof. Chattopadhyaya said that the export performance of our packet tea had been "disappointing" and that the government would like indigenous tea packing units to come up in large numbers. He assured the industry that suitable incentives on the production and export of packet tea could be considered provided "the necessary will and effort are shown by the industry". But New Delhi has remained indifferent to the persistent plea of packeteers for relief. Mr Goenka pointed out that the package excise duty of Re one per kg, in addition to the duty paid in the garden, was "vexatious" and that it "throttled our ability to rise to future expectations". He also described the duty as "altogether retrograde" and urged its abolition. There is indeed a case for considering this suggestion favourably since the share of packet tea consumed in India has declined from 65 per cent to 40 per cent in the last ten years and the excise duty is an impediment to the expansion of the packet industry.

Prof. Chattopadhyaya replied that "adjustments in the fiscal structure" were, no doubt, possible but "we have to ensure a realistic balance between the re-

venue foregone and incremental earnings from exports". This statement seems to suggest that there is no possibility, in the near future, of the government of India agreeing to any change in the excise duty on packet tea. If so, this will be unfortunate because the duty will continue to cripple the ability of the industry to avail itself of the large opportunities for promoting the export of packet tea.

Mr Goenka asked for some incentives for the tea industry but one wonders why he was somewhat apologetic about this matter. He asked: "If Indian tea is exported to a country for the first time, is it a traditional act? If tea, manufactured by a new process, is shipped, how should this export be treated? Is the export of packets and tea-bags not non-traditional?" Mr Goenka, however, hastened to add that "we are not seeking concessions but only pleading for a fresh look". He added that "we are not asking for import entitlements, but certainly wish to insist that easy import of essentials, like herbicides and pesticides, is our birth right". He further suggested that since tea gardens were situated in the backward areas, the government should consider granting them some of the "holidays" offered to new industries in such areas. If the tea industry really wants such incentives, it should make out a clear and convincing case, indicating in what form it needs them, instead of making vague proposals.

So far as labour was concerned, Mr Goenka said that the tea industry had not only not forgotten its workers but that they were effectively protected from inflation. He said that tea workers enjoyed free housing, free medicare and subsidised cereals at 1953 prices and since they lived near the place of work, they incurred no transport expenses. "In fact, said Mr Goenka "if any one can claim that inflation does not bother him, it is the tea garden labourer". But Prof. Chattopadhyaya pointed out that housing and cereals constituted only a part of the cost of living of the workers, that the prices of other items of mass consumption had also gone up and that this had eroded the purchasing power of the tea garden workers. But even so, there is no doubt that the condition of the plantation workers is much better than in many other industries.

It is therefore surprising that Dr Gopaldas Nag, the Labour minister of West Bengal, should create an impression that workers in the tea industry are heavily exploited. According to a report in *The Statesman* of Calcutta of the March 18, Dr Nag told the state assembly that tea gardens should be nationalised immediately and saved from the "depredations of a section of owners". He added that tea workers in most of gardens "lived like slaves". He also observed that the government could not ensure the implementation of the minimum wages in the gardens and that because of this "shame" he had not visited North Bengal for the past three years.

One wonders why Dr Nag should continue to stick to the labour portfolio if he really feels so helpless in improving the condition of tea workers. But the government of India clearly does not share Dr Nag's view regarding the lot of the worker or the need for nationalising the industry. In fact, Prof. Chattopadhyaya made it clear in his speech to the Indian Tea ... industry on its own could do a grea... more to restore at least a section ... sick and uneconomic units to vi... and health. He said, "What I ... wish to emphasize is that, even i... present improved condition of the ... try as a whole. we cannot afford t... nore the decadence or persistenc... sickness in any part of the industr... matter how small it may be. Plan... labour is far less mobile and the... more vulnerable than organised l... in any other industry, and would d... our special attention and sympa... But unless the state governments ... cerned also adopt a constructive ... proaeh not much progress can be ... in the near future for improving t... of labour or for reviving the ... units.

Mr Goenka spoke of the impr... achievements of the Indian tea inc... in improving the yield. He said tha... Indian yield was 1360 kg per hectar... that this appeared remarkable whe... considered that our yield in coffee ra... third in the world while in cotton it... as low as 45th and in rice 52nd. ... tea yield was higher than coffee at ...

g and also jute and rice which are well below 1300 kg.

ne Commerce minister however oned against complacency. He "We still have to do a great to reach the yield levels of relatively insignificant tea produ- ike Japan or Turkey. I would ex- the industry to do everything in their r to maintain and enhance the level roduction and yield of tea, so that in have growing surpluses for export after taking care of the rising do- c demand. Over a large cross-sec- tion of gardens, the rate of replanting and the rate of coverage of new areas under tea have been poor, despite the support and financial arsistance available through the Tea Board". Prof. Chattopadhyaya urged the industry to make full use of these facilities and to adopt a systematic programme for increasing both production and productivity. But the government has also a responsibility to ensure that its taxation policy is such as will enable the industry to generate surplus funds and plough them back for the modernisation of the gardens and factories.

nport—with care

IMPORT policy for 1975-76 has to be ulated in light of the experience ed in the past difficult 12 months and a view to avoiding a further increase he national debt in terms of foreign ange. It is now estimated that the ent financial year (1974-75) will close a trade gap of about Rs 800 crores with an increase in exports by over 30 cent to Rs 3,200 crores. While the ex- effort should be considered gratifying gunnies, plantation products, sugar, on textiles and engineering goods ing a notable contribution, the increase nports had taken place at a faster rate a big rise in the unit value of fertili- , petroleum products, steel and non- ous metals. It would have been possi- to keep down the trade deficit at a her low level, in spite of the increase in oil bill by over Rs 600 crores, if only had not been necessary to effect chases of about five million tonnes of dgrains on a commercial basis requir- an outlay of over Rs 600 crores. The regate food bill may even be Rs 800 res. against Rs 473 crores in 1973-74 ch was in itself exceptional. In 1972- the value of food imports was only Rs 3 crores. Aggregate imports in 1974-75 y thus be Rs 4,000 crores.

The gap of Rs 800 crores has necessari- compelled borrowing from the Inter- ional Monetary Fund against the stand- by credit arrangements and the oil facility to the extent of Rs 488.1 crores. The special credits provided by Iran, Iraq and others for Rs 220 crores for financing oil imports were also utilised. The net receipts from the Consortium countries too were more than anticipated. But for the deterioration in the terms of trade on account of the oil crisis and a difficult food situation it would not have been necessary to add to our foreign debt by over Rs 700 crores, besides the usual increase that will take place with the receipt of net aid from the Consortium and the east European bloc.

The question now is how the financing of imports in 1975-76 should be effected and what adjustments should be made with a view to minimising our borrowing from the International Monetary Fund. It has, of course, been assumed that special credits for Rs 230 crores will be available in the coming months from Iran, Iraq and others for importing oil and petroleum products. It will obviously be undesirable to run up again huge deficits and repeat the mistakes of last year. While the government's decision to effect heavy commercial purchases of foodgrains might be said to be responsible for an easing of food shortages latterly, it could not be denied that hurried and inefficient purchases of fertilisers, steel, non-ferrous metals and intermediate chemicals have been responsible for an undue increase in the value of imports.

On the basis of the commoditywise details for the first half of 1974-75 these items may account for a Rs 1,100-crore outlay against Rs 770 crores for 1973-74. The value was no doubt inflated by a skyrocketing of prices in international markets and injudicious purchases. With a huge carry over of steel against outstanding contracts and frantic buying of fertilisers, intermediate chemicals and non-ferrous metals, sizeable surpluses are now held by the Steel Authority of India, the State Trading Cor-

Eastern Economist 30 Years Ago

APRIL 6, 1945

The I.J.M.A. has decided to introduce standard conditions of service for operatives in all the member mills with effect from May 1, 1945. Under the new scheme, each mill shall maintain I.J.M.A. service record cards wherein particulars about every worker will be maintained to facilitate interchangeability between member mills. Workers have been classified into three groups, permanent, substitute and casual. No substitute worker will be denied a job if a vacancy exists unless he has been dismissed or demoted during his last period of employment. Each mill should prominently display information relating to periods and hours of work, rates of wages payable to all classes of workers, overtime rates being paid in accordance with the provisions of the Payment of Wages Act. Safety regulations will have to be strictly followed. The punishment for neglect of these regulations may amount to dismissal, and the rules thus laid are comprehensive. Normally, for termination of service a week's notice will be required. But the management will have the right to terminate an employee's services if he is found guilty of acts of omission which amount to gross misconduct, these being carefully and clearly defined

It will, however, be open to the management to impose a fine in lieu of dismissal. Housing accommodation will be made available to employees for the duration of service. Sickness leave, at the management's discretion will be allowed on the production of a certificate from the company's medical officer. The Labour Commissioner of Bengal has approved of th. scheme and the labour officers of the I.J.M.A. feel that these will be favourably received by the workers.

poration and the Minerals and Metals Trading Corporation.

No reliable estimates are available about the bulge in inventories under these heads. But it has been admitted by those in charge of SAIL and MMTC that stocks of steel and non-ferrous metals have been piling up and industrial consumers have had to be coaxed to take deliveries against release orders with the offer of concessions and deferred payment facilities. In respect of fertilisers too, there is a glut of imported stocks and only recently it was indicated by the union Finance minister that there had been a bunching of imports of fertilisers and the large overall deficit for 1974-75 was due mainly to the financing of these imports for Rs290 crores. With trade estimates of excess stocks of five lakh tonnes of steel and huge quantity of non-ferrous metals and intermediate chemicals, the capital locked up in these inventories may be anything upto Rs 1000 crores. It can be safely assumed that about Rs 500 crores worth of materials represent the value of excess stock on the basis of the cost of acquisition and probably Rs 400 crores or less at the prevailing lower international prices.

In view of the likelihood of a substantial increase in indigenous production of fertilisers, steel and non-ferrous metals it will have to be examined how fresh imports could have been avoided in some directions. With the expectations of an improvement in fertiliser output by six lakh tonnes of nitrogen and in production of steel ingots by 1.5 million tonnes, the country can do without fertiliser and steel imports for several months. Indeed, there is no need at all for imports of steel, except for certain categories, in the whole of 1975-76. The trading corporations of the government may possibly argue that some imports have to be effected in order to retain connections with the traditional sources of supply. There will, therefore, have to be regulated imports. Even then, the outlay in foreign exchange can be considerably reduced. With the lower prices and reduced quantum there can be a saving of Rs 300 crores in respect of the four groups mentioned above.

With lower average prices for imports in other directions also and even the possibility of a drop in oil prices, the import bill excepting foodgrains can be reduced by Rs 400 crores. If there can also be a reduction in food imports by Rs 300 crores, aggregate outlay on all imports can be reduced to Rs 3,300 crores. There will, necessarily, be a decline in the value of exports of gunnies, cotton textiles, marine products and some other items. With sugar in a position to earn even Rs 400 crores, aggregate exports can still be Rs 3000 crores.

With oil credits for Rs 230 crores from the major suppliers and the usual net foreign aid, it should not be difficult to finance imports without seeking again the assistance of IMF. The government should review the situation carefully and frame appropriate policies. It should not be forgotten that excessive purchases have been made in the past year and there is resistence to high prices from consumers. Also it may not be necessary to purchase heavily foodgrains in overseas markets if buffer stocks remain at a satisfactory level in the later ha[lf of] this year. With reports about bu[mper] rabi crops, the opportunity should be u[sed] for maximising procurement of w[heat] and coarse cereals. If the kharif c[rops] also prove to be satisfactory, food [im]ports can be restricted to three mi[llion] tonnes.

As on the last occasion the governm[ent] can permit imports on a normal basis [in] the first six months except in respec[t of] steel, fertilisers and non-ferrous met[als]. Food imports also may be staggered [for] some months and fresh large commitm[ents] entered into only later in the year in [the] light of yields of kharif crops. There [is] no need to be unduly restrictive when p[er]mitting imports of items in short supp[ly]. But the mistakes of last year should [be] avoided and the country should not [be] saddled with the undue increases in [its] foreign debt due to the indiscreet polic[ies] and incompetence of the state trad[ing] organisations. The year 1975-76 need [not] witness a sad repetition of the happenin[gs] of its predecessor.

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

roda Petrochemicals • Industrial Outlook • Steel Imports • Bokaro's Progress

RE FINANCIAL constraints as well he inability of suppliers to meet delivery commitments may further the commissioning of the ns and the downstream units of Baroda petrochemicals complex the Indian Petrochemicals Corpo- n. According to the last revision ne completion schedules of these pro- , the naphtha cracker was envisaged e commissioned in May, 1976, and pyrolysis gasoline hydrogenation, zene extraction and butadiene extrac- units three months later in August. ong the downstream plants, the low sity polyethylene unit was to be com- sioned in May, 1976, the polypropy- unit in June, 1976, the ethylene glycol in August, 1976, and the polybuta- ne rubber and detergent alkylate units September, 1976. The acrylic fibre and acrylonitrile units were to be com- sioned in February and July, 1977, pectively.

calating costs

The delays in the commissioning of se plants are understood to have pushed their costs of installation appreciably. against the original estimate of Rs 7.5 crores, they — according to the last ised schedules — are expected to cost much as Rs 331.9 crores. The cost y go up further if their completion is ayed because of financial constraints d the inability of the suppliers to meet eir delivery commitments.

The chemicals from the complex would ver thermoplastics, synthetic fibre inter- ediates, solvent, chemicals, elastomers d other industrial chemicals. Apart om meeting the immediate needs of the dustry, the production from the above its will save considerable amount of reign exchange now being spent on im- rting these chemicals. The units in the ants being put up by IPCL will also eate considerable employment potential the conversion industries connected th the above chemicals.

The Indian Petrochemicals Corporation is currently engaged in preparing techno-economic feasibility studies for setting up new plants for SAN and methyl acrylates. It has already prepared and submitted a feasibility report for the manufacture of 35,000 tonnes of PVC annually, utilising 17,650 tonnes of ethylene from the olefins project. This project is estimated to cost Rs 22 crores. It is expected to provide employment to 300 personnel, including 158 engineers and skilled technicians/workers directly. Indirectly, it would generate employment for 2,000 persons.

The aromatics project of the Baroda petrochemicals complex, it may be recalled, was commissioned in 1973-74. It has a capacity to yield annually 24,000 tonnes of DMT, 21,000 tonnes of orthexylene and 2,500 tonnes of mixed xylene. Production during the 10 months to January last was 12,720 tonnes of DMT, 7,903 tonnes of orthexylene and 1,251 tonnes of mixed xylene. As against a loss of Rs 2.62 crores in 1973-74 (after providing for full depreciation of Rs 2.50 crores), the project is expected to yield a net profit of Rs 7.5 crores in 1974-75.

* *

On the basis of the output data available up to February last, the union ministry of Industry feels that industrial production in 1974-75 would record an increase of 3/3.5 per cent over the previous year. This estimate takes into consideration the improvements noticed in a number of key sectors such as power, steel and coal. Power generation during the 11 months to February is stated to have recorded a growth rate of 5.9 per cent, Steel output from the major plants during this period was higher by 11.2 per cent compared to the production during the corresponding period a year earlier. The output of coal showed an increase of about 10.7 per cent.

Noting that the growth in industrial production in 1973-74 was just 0.5 per cent, the ministry sees in the 3/3.5 per cent growth during the year just gone by a definite reversal of the downtrend on 1973-74. As the supply of the above critical inputs is likely to ease further during the current financial year, industrial production, the ministry thinks, should gather momentum; the increase in production this year may be of the order of about seven per cent.

remunerative prices

The ministry, however, is not very assertive in regard to the above prospect. Along with the expression of the above hope, it is of the view that much will depend on the supply of agriculture-based raw materials such as raw cotton, raw jute, sugarcane and oilseeds, as well as on the ability of the industry to utilise the existing production capacity. A major contributing factor to better utilisation of the existing production facilities, it feels, would be the bringing down of prices to realistic levels which would be remunerative to producers and attractive to consumers.

On its part, the government intends to provide encouragement to production through better utilisation of existing capacities by adopting such measures as streamlining of the procedures of industrial licensing, encouraging of diversification of production in machinery and machine tool manufacturing industries and keeping of a month-to-month watch on production in selected industries so that remedial measures, if necessary, can be initiated expeditiously.

If the deliberations of the last week's meeting of the Central Advisoty Council of Industries is any indication, the ministry's optimism about the growth in industrial production during the current financial year, however, is not fully shared by the captains of industry. Both Mr K.K. Birla, the President of the Indian Chambers of Commerce and Industry, and Mr J.R.D. Tata expressed the view at the above meeting that the wheels of industry were grinding to a halt mainly because of shortage of long-term as well as short-term funds and risk capital. They further

opined that the growth rate of about seven per cent could not be achieved only with such measures as liberalisation and simplification of licensing and import policies and procedures and a further promise of revision in the concept of capacity. What was urgently called for, they stressed, was a downward revision of interest rates, higher debt equity ratio, withdrawal of the present dividends freeze, incentives for the revival of the capital market and dual pricing policy which would enable new units, which are being put up at heavy costs, to obviate losses.

Interestingly enough. most of the pleas of Mr Birla and Mr Tata were supported by Mr H.T. Parekh, the chairman of the Industrial Credit and Investment Corporation of India, and Mr James Raj, the chairman of the Unit Trust of India. The spokesman of small-scale industries complained at the above meeting that they were also being starved of funds. They alleged that they were not getting any support from the term-lending institutions.

The minister for Industry, Mr T.A. Pai, however, felt that the larger industrial houses should not dspend on financial institutions for investment funds. He wanted them to explore other ways of mobilising resources.

With a view to accelerating the pace of industrial activity in the country, the union government, it is learnt, is likely to make attempts in the import policy for the current financial year (to be announced on April 7) to cut delays and remove bottlenecks so that the availability of essential inputs for industries can be ensured in a regular and timely manner. The imports of spare parts are expected to be simplified and liberalised, notwithstanding the fact that despite exports showing a very encouraging trend this year, the trade gap has tended to widen considerably.

So far as credit is concerned, it is increasingly being felt that greater selectivity should be introduced in credit policies. The matter is being looked into by a high-powered committee. Opinion is growing in official sources that credit squeeze should not be allowed to affect in any way production in the key sectors.

* *

The union ministry of Steel now proposes to curtail imports of both mild and alloy steels to just about 350,000 tonnes during the current financial year, as against approximately one million tonnes imported last year. About a month ago, it was proposed to limit imports this year to about 650,000 tonnes The revised proposal to restrict imports to just about one-third of the quantity imported last year follows commendable increase in production at all the five integrated steelworks during January and February. In the first nine months of the last financial year, these five steel plants had yielded saleable steel output to the following extents: Bhilai 1.256 million tonnes; Durgapur 385,000 tonnes; Rourkela 568,000 tonnes, Jamshedpur (TISCO) 1.058 million tonnes; Burnpur (IISCO) 290,000 tonnes. By the end of February last, they had yielded production to the following extents: Bhilai 1.528 million tonnes; Durgapur 472,000 tonnes; Rourkela 716,000 tonnes; Jamshedpur 1.308 million tonnes; Burnpur 371,000 tonnes. During the 11 months to February 1974, the production at these plants has been as follows: Bhilai 1.553 million tonnes; Durgapur 330,000 tonnes; Rourkela 658,000 tonnes; Jamshedpur 1.084 million tonnes; Burnpur 324,000 tonnes.

improved availability

The total output from the five integrated steelworks during the 11 months to February last, thus, was 446,000 tonnes (11.3 per cent) more than during the corresponding period a year earlier. Arc furnaces and re-rollers yielded an output of nearly 630,000 during the 11 months to February, 1975, as against 495,000 tonnes in the corresponding period a year ago. The availability of steel in the market during April, 1974 — February, 1975, improved by as much as 22 per cent; it went up from 4.925 million tonnes during the 11 months to February, 1974, to 6.004 million tonnes during the same number of months to Febiuary, 1975. Import arrivals between April, 1974, and February. 1975 were of the order of 877,000 tonnes, as against 657,000 tonnes between April, 1973, and February, 1974.

The import programme of the current financial year, however, is yet to be finalised as category-wise domestic supply position is being assessed. Indications are that whereas imports of mild steel may be cut quite drastically, the same may not be the case as regards imports of alloy and special steels. The ministry of Steel does not appear to be in full agreement with t assessment of the manufacturers of all and special steels that the country will practically self-sufficient in these types steel during the current financial yea It, however, is not averse to adjusting t policy for alloy and special steels to t extent indigenous availability of the types of steel will improve.

The Steel Authority of India is unde stood to be of the view that the countr sould henceforth go in for perspecti planning for steel manufacture over period of 20 or 25 years, as again the hitherto practice of planning for 1 years. The detailed project reports of th two new integrated steelworks at Vijaya nagar and Visakhapatnam are expecte to be drawn up this year as commente recently in Parliament by the minister fo Steel.

* *

According to the lastest assessment the Bokaro steel plant is likely to be completed up to 2.5 million tonnes ingot stage by December this year. The following major units of this plant have already been commissioned: (i) coke oven batteries Nos. 3 and 4; (ii) sinter band No 1 (iii) blast furnace No. 1; (iv) oxyge plant; (v) lime rotary kiln; (vi) 100 tonnes capacity oxygen blown converter Nos. 1 and 2; (vii) pattern shop; (viii dolomite kiln; (ix) tar bonded dolomite shop; and (x) universal slabbing mill As reported earlier in this column, the commissioning of these facilities would have yielded by the end of last month nearly 30,000 tonnes of slabs.

The following major units of the project are expected to be commissioned by December; (i) coke oven batteries Nos. 1 and 2; (ii) sinter band No. 2; (iii) blast furnaces Nos. 2 and 3; (iv) oxygen converters Nos. 3, 4 and 5; (v) hot strip mill. The cold rolling mill is envisaged to be commissioned by December, 1976.

The four million tonnes ingots stage of the plant is now expected to be completed by December, 1977. By the end of the current Plan period, i.e. March 31, 1979, the plant would have a capacity to yield 4.75 million tonnes of ingot steel.

HICHEM Guar Meal
a high protein cattle feed if given to our milch animals can make our country self-sufficient in milk

Malnutrition in its various forms is one of our country's pressing problems. Protein deficiency is proverbial and wide-spread. This is because the per capita availability of milk is only about 150 ml per day as against the basic minimum requirement of about 560 ml. If all the Guar of approximately 2 lac tons per year produced in the country is processed to separate its constituents into Gum and high protein Guar meal, the former can earn considerable foreign exchange and the latter could solve the protein deficiency. Guar meal has approximately 92% digestive nutrients and 45% proteins. It has higher food value than Guar itself and can be fed as such or mixed with grass, hay or husk, churi, bran or oil-cake. It not only increases the milk yield but also makes the animals healthy and stronger.

Hindustan Gum & Chemicals Ltd., Bhiwani, are producing Guar meal as a nutritious cattle feed.

HICHEM
REGD. TRADE MARK

Please send your orders or enquiries for Guar meal to:

Hindustan Gum & Chemicals Ltd.,
Birla Colony, Bhiwani (Haryana)
Phone: 61 • Gram: 'HICHEM'

There can be no substitute for sugar

N.L. Bhatia, K.L. Behl & C.N. Babu

> The authors describe this as a rejoinder to the article "Rational Land Use for Self-sufficiency in Food" by Dr A.R. Rao and Dr I.J. Singh which was published in the issue of EASTERN ECONOMIST dated November 15, 1974 (Pp 885-88). —Editor

OUT OF the various suggestions put forward from time to time for solving the ticklish food problem, some of the economists have suggested that we should dispense with sugarcane crop altogether, so that the area thus saved may be put under food grain crops. But they lose sight of the fact that sugar is also one of the most important food articles. In our country the area under sugarcane is hardly 1.7 per cent of cultivated area whereas the area under food grains is 75 per cent. If this large area under food grains cannot solve the food problem, the encroachment on this tiny 1.7 per cent area may not be of much avail in this direction.

per unit yield

What is actually needed is to increase our national average yield per unit area of the food grain crops which is very low as compared to that in the advanced countries of the world. (The existing yield of cereals per hectare in India is about one tonne whereas of pulses is only half a tonne). This yield should be augumented by all possible means. Sugarcane yield is also low but being an efficient photosynthetic plant i.e. C^4 cycle physiologically, it has more biological yield potential than most of the cereals and pulses. If we see logically and critically the final consumable product per unit area per unit time, sugar production is much more than food crop. It is estimated that by exporting one tonne of sugar we can import wheat and rice to a great extent (vide table alongside)

Keeping this in view one is tempted to have more and more area under sugarcane. The second proposition suggested by some of the economists, to shift sugar industry of north India to south, also does not seem to be feasible. No doubt north India does not provide congenial climate to sugarcane, basically a tropical plant, but at the same time here the crop can grow with easy facility and at low cost of production. It has thus earned the name of a sure crop with the farmer, who will not give up growing this crop under any circumstances in the north. It may be mentioned that the climate barrier has been overcome as new hybrid varieties of sugarcane with high yield potential and adaptability to north Indian conditions have been developed.

This article is an extract and part of the paper entitled, "Sugar Industry in India—Facts and Figures", presented at the technical session (Feb, 2, 1975) of the 28th Annual Conference of the Indian Society of Agricultural Statistics, held at Haryana Agricultural University, Hissar.

Mr N.L. Bhatia is Assistant Sugarcane Agronomist, Mr K.L. Behl, Sugarcane Agronomist and Mr C.N. Babu, Senior Economic Botanest, Sugarcane, at Haryana Agricultual University, Hissar.

Economics of Export of Sugar versus Import of Wheat/Rice

Commodity	Yield per hectare Tonnes/Hectare	International price per tonne (Rs.)	Value of Production from one hectare at international prices (Rs)
Sugar	4.75	5,600	26,600
Rice	1.14	4,800	5,500
Wheat	1.38	1,500	2,100

Source: *Financial Express*, September 8, 1974 (Original not seen: quoted from Kavdia, I. S. 1974).

Sugar is sometimes branded as an 'empty calorie' by some of the nutritionists but this cannot absolutely offset its utility. Besides being the cheapest source of energy, it also serves as a protein conserving agent. It improves t palatability and also serves as a prese vative. It has other multifarious uses industry and commerce. In the era energy crisis, power alcohol produc from molasses may perhaps be the che pest solution.

a misconception

There is a misconception that it beyond the power of the man in t street to buy sugar, because of its hi price during these days. One shou not forget that it is still the cheape source of energy. Moreover, the wi policy of partial decontrol with levy an free sugar in the proporation of 70: has protected the interest of consumer a fixed controlled rate which is actual a subsidised rate. It is only 30 per ce of total sugar production which is fr that costs more to the consumer becau of very high excise duty (Rs 109 p quintal). No other essential food artic has such a heavy load of taxation. we exclude the duty both on free and le sugar then the average price at facto gate comes to be only Rs 200 per quint If we compare prices of sugar and oth food articles the prices of sugar are n as such unfavourable to the consum as those of other commodities. It wou be evident from the figures released by t Department of Economic Affairs over t year ending June 1, 1974 that the rise the price of sugar was only 4.6 per cent against 70.6 per cent for wheat, 36.2 p cent for rice, 44.7 per cent for gram an 24.2 per cent for edible oils. Hen blaming the suger industry on account high price and seeking substitutes o this account is not justified.

Suggestions regarding substitutes sugar also do not seem to be pract cable. Saccharine (O-Sulfobenzoic Ac Amide) which was first prepared as ear as 1879 has no doubt extraordina sweetness of taste (It is about 550 tim as sweet as cane sugar). But this sy thetic product in no way comes in t picture of metabelism process of a bo

as it is eliminated unchanged in the urine and hence has not food value. If even after a century since its preparation saccharine is not in common use for replacing sugar, the reasons are obvious. Its use may be confined only to the diabetic patients and certainly not for healthy persons. Moreover, it has some hazards to human health. Similarly maize syrup cannot certainly sweeten our coffee or tea as a tea-spoonful of sugar can do. Thinking of maize syrup from corn at this stage of our food crisis would be like "cake without flour".

References :

Anonymous (1974), Sugar Industry—Unparalelled Progress. Ind. Sug. 24(11): 877-78

Kavdia, I.S., (1974), Background materia Management of Cane Development in India. Workshop on Sugarcane Development, (22-28, 1974), Lucknow.

Rao, A. R. and Singh, I. J., (1974), Rati Land use for Self-sufficiency in Food. *Ea Economist* 63(20):885-88

Wanted an IOEC

N. Mahalingam

THE CONTROVERSY over the establishment of a military base in Diego Garcia by USA with a lease of the island by Britain to the former has given rise to a serious discussion of what exactly should be the role of the littoral states in the Indian Ocean region and how they can develop the Indian Ocean area as a zone of peace free from the intervention and interference of the super powers. The Pentagon seems determined to use Diego Garcia as a strategic base on the plea that the Soviet Union has been steadily strengthening its presence in the Indian Ocean region and is even having naval bases in the Persian Gulf area. The rivalry between the super powers is bound to have its own profound influence on the activities of the littoral states, deleterious or favourable, unless the Indian Ocean community itself makes a determined effort to acquire the strength for defending the region with coordinated economic development and technical guidance if need be from the USA, the European Economic Community and the Soviet Union.

significant progress

Significant progress has been already made in some directions for bringing about a better understanding of economic issues and developing intra-regional trade between the south-east and west Asian countries. Only recently the Shah of Iran emphasised the need for developing the economies of the countries lined between Afghanistan and Singapore on complementary basis when he visited recently Australia, Malaysia and India. Close ties are already being forged between Iran and India and a series of agreements have been signed between the two governments for increasing the two-way trade and for promoting new industries in the two regions. India and Mauritius have been traditionally, closely linked because of the existence of cultural ties and the anxiety of Mauritius to develop its region with the Indian assistance. The prime minister, Mrs Gandhi, visited only recently the Maldives where it was also affirmed that the Indian Ocean area should remain a peaceful zone. The prime minister of Sri Lanka, Mrs Bandarenayake, actually sponsored a resolution at the United Nations which was overwhelmingly accepted and everyone is agreed that the super powers should not create new tensions on account of their rivalry and the littoral states should be helped to gain the necessary stature and strength.

opportune moment

With intimate ties existing between Bangladesh, Indonesia and Sri Lanka and the gradual normalisation of relations between India and Pakistan, the time cannot be more ripe for giving concrete shape to the idea of forming ultimately a customs union of members in the Indian Ocean region. Singapore, Malaysia and Burma have always been having good trade and economic relations with India. The trade with Malaysia particularly has been expanding latterly and many joint ventures have been promoted in the past few years by Indian entrepreneurs in co-operation with Malaysian interests. Burma may come out of the shell before long while Bangladesh has vast resources for development because of its ample agricultural potential and the latest reports that it has the world's richest reserves of natural gas.

In the early 1960's it was repeatedly suggested by the Economic Commission for Asia and Far East that intra-regional trade should be consciously developed between countries in the south-eastern region and complementary features of the economies of the respective countries should be exploited fruitfully for coordinating the formulation of different plans of the concerned governments. It was not considered feasible then that a customs union or even a clearing un could be thought of as political con tions were not stable and various fluences were at work. In recent yea however, the situation has vastly cha ed and the developments in 1974 pa cularly have special significance with I emerging as one of the largest produc of oil in the world and generating able surpluses following the quadru ing of oil prices.

Indonesia is another important p ducer in the south-eastern region stra gically located in regard to the distri tion of its production. Malaysia even a surplus for export after meeting its quirements while Burma is long kno to have oil resources which have not be effectively tapped because of that cou try's slow progress on economic develo ment. Bangladesh is credited with ri deposits of natural gas and Japanese terests are reported to have evinced keen desire for exploiting these resourc It is also claimed that the reserves c be richer even than those in the Siberi region of the Soviet Union. Besides, will be much easier to tap natural gas Bangladesh as the deposits are close sea outlets.

encouraging reports

In India later reports are qui encouraging as Bombay High may co tain the largest reserves for any sing region. In Sri Lanka some deposi have been located while in Pakista exploration is going on for tappi new oil/natural gas reserves. Ev if it takes time for India, Banglades Sri Lanka and Pakistan to redu substantially their oil deficits, it h been stated that India can withsta the strain arising out of higher oil pric by boosting exports of other commod ties and increase in the food grains ou put. It may also be possible to preve undue increase in imports of oil a

troleum products with a stepping up indigenous crude production.

With these signs of new viability of e economies of some developing counies and the vast resources at the disosal of Iran, Malaysia and Indonesia, it hould be possible to coordinate the acvities of all members of the Indian cean community. Some important eginning has already been made in the nplementation of new schemes between ran and India. Iran has formulated an mbitious programme of ecouomic evelopment and many western countries night be participating in the execution f these schemes. India for its part will e helping Iran in some projects by proiding technical skill and manpower in rder to overcome its deficiencies in this egard.

ending experts

With our country having the third argest reservoir of technical manpower n the whole world, it is in a position to lend experts and skilled workers as a nember of the Indian Ocean community. This will afford the government of India an opportunity to increase the output of technicians and engineers. The scope for mutual cooperation will be evident from the fact that aid of over one billion dollars will be available for developing Kudremukh iron ore project n Karnataka for exporting pelletised ore and feeding steel plants in Iran. Similarly, the bauxite deposits in Saurashtra will be exploited for producing alumina which can be converted into aluminium in Iran. With a surfeit of oil, Iran hopes to produce large blocks of power with the establishment of thermal stations. There are proposals for erecting nuclear power stations. In this field, India can provide technical assistance besides supplying large quantities of heavy electrical equipment.

Indonesia may have full use for its own resources as it has the largest population for any important oil producing country. But the additional income of six billion dollars derived by higher oil prices and rising output, provides vast scope for increasing Indian exports to Indonesia and participating on a joint basis in the promotion of new industries. In earlier years, Indonesia had to be given special credits for purchasing goods from India. This situation has undergone a metamorphic change and with the resources of Iran, which are more than adequate to meet its needs and help countries in the south-east Asian region to the extent of at least two billion dollars annually, and with the vastly increased purchasing power of Indonesia, India as a important developed nation among developing countries has a special responsibility for not only increasing its own output but also for promoting new industries as is now being done in Iran, Malaysia, Indonesia and Mauritius.

the snag

The only snag until recently was the hostile attitude of Pakistan. Even in this sphere, there are encouraging signs of closer cooperation with the conclusion of a bilateral trade agreement, albeit on a restricted basis. The prospect of resumption of trade, after a lapse of a decade, should lead to the cohesion that existed there in Indian sub-continent before partition and development of communications on an integrated basis.

The question now is how regional problems should be tackled and what is the type of machinery that should be created for facilitating integrated intraregional development? Somc machinery is already in operation in the form of joint economic commissions. Also aid agreements have been concluded recently between India and Bangladesh and India and Mauritius, while the importance of developing the Maldives has been better recognised. The Lacadives and the Andaman and Nicobar Islands too are getting greater attention by the government of India as it is now felt that the potentialities of the islands should be exploited more intensively and the Government should guard the west and east frontiers of the country more effectively than is now being done. However what is more important is the formation of a clearing union and a new agency which will facilitate settlement of intra-regional trade transactions and coordinate economic development. The Colombo Plan deliberations and recommendations of the Economic Commission for Asia and the Far East (now designated as Escap) have not been quite effective.

The time has arrived for adopting an entirely new approach and giving a determined push to new schemes which will improve the viability of the region as a whole. It is probably necessary to coordinate the contents of plans of different countries and use the financial resources of Iran and Indonesia and the technical and industrial capability of India for exploiting the vast forest and mineral resources in the entire region. The richness of oil resources of Iran and Indonesia, the hugeness of iron ore and coal deposits of India, the mineral and forest resources of Burma and Malaysia and the great advantage possessed by Ceylon, India, Malaysia and Indonesia in plantation products should be helpful in earning colossal sums in foreign exchange besides changing the direction of the west oriented trade of many countries and increasing the level of activity within the region.

It is also important that the defence capability should be improved so that the littoral powers can protect the sealanes and also remove the apprehensions in some quarters that US presence in the Indian Ocean area can be avoided only if the Soviet Union could be effectively precluded from the region. The influence of China too in the south-east Asian region must be prevented from being seriously felt. Towards its end the mercantile marine will have to be developed vigorously while the navies of Iran, Pakistan, India, Malaysia and Indonesia will have to be strengthened considerably. India and Pakistan have of course well trained huge defence services while Iran has been acquiring sophisticated armaments from the western countries.

purposive approach

What is required is a purposive approach to outstanding issues and a proper utilisation of the newly generated resources. With the building up of the requisite naval strength and defence capability on top of integrated economic development, the super powers can be given the feeling that the Indian Ocean community can take care of its problems, the new developing situation. There need not necessarily be a collective system for Asian security as proposed by the Soviet Union. Nor the kind of aggressive indirect intervention that has been attempted by China in Vietnam and elsewhere. The formation of an effective economic community, which has gratifying complemantary features, somewhat on the lines of the EEC without its military implications can lead to the upliftment of an area which accounts for a population of over 900 million. It is the responsibility of the leaders of the major powers of the Indian Ocean region to initiate necessary policies and procedures which will be helpful in the achievement of eminently desirable and vital objectives.

WINDOW ON THE WORLD

The trend in shipping and world trade

London

Jossleyn Hennessy

I

Oil on Troubled Waters

THE VALUE of world trade rose from US $128,000 million in 1960 to US $413,000 million in 1972, a rapid rise, even after allowing for inflation.

Bulk commodities still dominate and have to be carried over greater distances as the industrialised nations exhaust their near supplies and are forced to look further afield.

Transport, naturally, is largely by sea; shipping accounts for 80 per cent of international trade by weight and 66 per cent by value. Seaborne trade has risen from 525 million tonnes in 1950, to 1,080 million tonnes in 1960, and 2,630 million tonnes in 1971; the growth in tonne miles for principal bulk commdities excluding oil, rose from 746,000 million tonne miles in 1960 to 2,254,000 million tonne miles in 1971. Oil, the predominant commodity, accounted for 57.4 per cent of the tonnage total in 1971 compared with 42.9 per cent in 1953.

The world's oil tanker fleet in 1973 was 115 million tons gross out of a total trading fleet of 268 million tons. In addition, a fleet of bulk/ore/oil carriers totalling 19 million tons was used principally for the transport of oil. The rise of imported oil as the major source of energy for western Europe and Japan has been the dominant factor in the growth of sea transport, boosted in the late 1960s by the closure of the Suez Canal, which contributed to the 28 per cent rise in the average length of haul for oil throughout the 1960s. It also led to a spectacular growth in the size of oil tankers; of the 197 oil tankers of 110,000 tons gross and above, 193 are less than four years old and the remaining four are less than nine years old. The demand for greater oil tonnage has also been boosted by the 38 per cent growth in US oil imports, which occurred between 1970 and 1972. If continued, this could lead to an increase in demand for smaller tankers because most US ports can only handle tankers of up to 80,000 dead weight tons fully laden.

The domination of the world's shipping fleet by the super tanker has led to the specialisation of many shipyards in the building of such vessels. Japan predominates; of the 17 million tons gross of shipping launched by the leading shipbuilding countries during the first six months of 1974, eight million tons were completed in Japan, and of a total of 468 ships of more than 100,000 gross tons on order, 244 are to be built in Japanese yards. Japan's investment in shipbuilding capacity continues to show substantial advance, though there must be considerable doubt whether the country's competitive edge will be retained now that other Asian countries, which are able to call upon a large reserve of cheap labour, are rapidly expanding their own capacity.

Shipping, in common with the world oil industry in general, is at present suffering from the action of the Organisation of Petroleum Exporting Countries, a producer cartel which has succeeded in ing the price of crude oil some four- in the last year. As a result, oil consu tion in the major importing nations in first six months of 1974 showed a fal comparison with the same period a earlier ranging between 0.4 per cent Japan and 14.3 per cent in West Germa that of the United States fell by 5.2 cent. Moreover, all consuming count are now seeking to switch energy consu tion away from oil. Japan, the wor fastest growing oil market during the decade, has scaled down its estimate future oil consumption, so that impo in 1985 are now expected to be betw 14 per cent and 29 per cent below the fo casts in 1970.

dramatic effect

The effect upon the tanker industry been dramatic; spot freight rates for gia tankers on the key Gulf to North W Europe route having fallen from an av age of Worldscale (W) 80 for the first fi months of 1974 to (W) 45. Moreov there can be little hope of any tu around. In both the short and long term therefore, the future for super tanker rat looks bleak and tanker tonnage is idl both at oil loading ports and consum tion centre where it is being used as floa ing storage tanks. In the Gulf, for e ample, estimates of tonnage available July, 1974, were as high as 10 million ton which was four million tons above th average requirement before oil deman slackened. The position is likely to dete riorate further because the number of o tankers under construction during th second quarter of 1974 has risen by ap proximately 215,000 gross tons over th first quarter to a total in excess of 2 million gross tons, though orders not be gun showed a decline in excess of thre million gross tons to approximately 77. million gross tons, a reflection of the present gloom in the tanker market where excess capacity is likely to be the rule for several years ahead.

In the longer term, other factors may have a depressing effect on the super tanker market. Although the Suez Canal, the reopening of which is now due for May 1, 1975, will at first be capable of handling ships of only approximately 60,000 gross tons, fully laden, it is to be

stantially enlarged and may, with ish Arab finance, be capable in time of ing ships up to 150,000 gross tons ly laden or ships of up to 300,000 gross s in ballast. The consequent cut both sailing time and in the fuel bills would ntribute to a significant increase in rld shipping capacity.

II

Other Bulk Commodities

Those ships which have the ability to ry either oil or other bulk cargoes are led combined carriers (specifically oil/ lk/ore, oil/bulk, oil/ore). The growjh thc Japanese economy and the diversi- ation and general spread of raw mate- l supply sources for other manufactur- g nations has brought a considerable e in the world total of such vessels. At e end of 1973 tonnage amounted to 72.6 llion, of which over half was less than ur years old, and the ore and the com- ned carrier fleet now represents 25.1 per nt of world shipping, a considerable rise er the 21.8 per cent which it represenied 1971.

Recently there has been a switch in e use of these carriers from oil to other mmodities, although in the present orld situation there can be little hope of ding highly lucrative markets anywhere. e trade in grain, which was boosted nsiderably in 1972 by massive Russian ports, looks unlikely to recur on such scale, for, though the Russians have ed to contract for six million tons of ain from the United States, the sen- tivity of the US Congress to another reat grain robbery" has resulted in a nsiderable reduction in the proposed ipments. There was also the probability at grain supplies would be maintained low levels in 1974 partly as a result of disappointing feed grain harvest in the SA and a poor wheat harvest in Canada. oth Japan and Europe have agreed to t their imports of feed grain from the SA by 10 per cent. Moreover, with the elihood that reductions in the numbers livestock throughout the world, due artially to higher feed prices, will con- derably decrease demand for food grains ere must remain considerable doubt at these shortfalls of supply will be ade up from other sources.

Other dry bulk cargoes which account r a significant tonnage of world trade e coal and ores. The biggest single in- uence on both of these commodities is e Japanese economy and specifically e Japanese steel industry. During 1973, ipments of coal to Japan rose 16 per nt and accounted for more than 50 per nt of traded coal; the main exporters were Australia and Canada. In iron ore, Japan's imports rose from 30 million lons in 1964 to 134 million tons in 1973, of which some 50 per cent came from Australia; Brazil and India also provided significant supplies.

With the shipbuilding industry heading for recession and, in general, a slackening of the pace of economic growth which has been more marked in Japan than elsewhere, there is likely to be a considerable fall in demand for both coal and iron ore, and this will inevitably add to the general excess of capacity in the shipping industry. The existing trade is likely to be dominated by the large and efficient combined carriers which, because of their size and specifications, are able to operate profitably at lower freight rates than are general purpose carriers. However, bulk carriers under construction during the second quarter of 1974 have fallen to 5.5 million gross tons, a fall of over 600,000 tons, although orders not begun at 13 million tons were 74,000 tons up.

III

Natural Gas

The four-fold rise in the cost of oil has drawn attention to previous sources of high cost energy, particularly natural gas. Prior to the oil producers' actions much natural gas which occurs in conjunction with oil was "flared" at the well-head. Though wasteful, the cost of converting the gas into a transportable energy source was prohibitive, but this is no longer so. Natural gas may either be carried by pipeline or it may be liquified and transported in special ships. The increase in number of such ships has been even more spectacular in recent years than that of oil tankers; of the world total of Liquified Natural Gas (LNG) carriers having a combined capacity of 3.28 million cubic metres, 3.09 million cubic metres are less than nine years old, and a further 2.11 million cubic metres of capacity is less than four years old. A major example of the trade in sea-transported natural gas is between Brunei and Japan, though rapid expansion is also likely on the Alaska/USA, Algeria/Europe and Middle East/Europe, Middle East/ Japan routes. The LNG market for ships and installations (the ships are usually ordered as part of an integral system) is likely to be relatively unaffected by the present decline in shipbuilding, as is suggested by the growing order books of France and the USA which have the lion's share, 1.8 million gross tons and 1.4 million gross tons respectively, of the total world LNG shipping order of 5.5 million gross tons.

The degree to which ships are becoming more specialised in their design an use is illustrated by the general dry carg market. Though the total tonnage o general cargo ships launched in 1973 wa 3.08 million gross tons, a fall of 1.27 mil lion gross tons over 1972, of the 30 ship of over 15,900 tons launched no less thar 19 were fully cellular container ships.

The advent of the container ship has brought a greater revolution in cargo handling than any other post-war event. The container allows a ship to carry an immense variety of cargoes without the inherent storage difficulties; it allows the ship a far quicker turnaround by cutting substantially the time which ships have to spend in port, and it allows goods to be packed either at the factory where they are made or at convenient inland centres. The container ship is therefore more fully an integrated part of a system for the transport of goods and has brought significant savings to the shipping industry. The container revolution has been well under way for several years now and the third generation of container ships is now in service; they are in general larger than previous generations exceeding 57,000 tons gross and can carry approximately 3,000 twenty foot containers.

IV

Container Growth

The movement towards larger fully cellular container ships has been marked during the last few years; of the world total of 5.9 million gross tons of such ships, 4.47 million gross tons are less than four years old, of which 3.49 million gross tons are of 20,000 tons and over. However, the percentage of container ships to general cargo ship orders dropped throughout the second quarter of 1974 from 14.1 per cent in the first, to 12.7 per cent in the second quarter. In part this reflects the expected recession in world trade and an unwillingness to be committed to the huge capital investment that third generation ships represent. Moreover much of the potential for containerisation of trade has now been realised; in 1973, of the total of 5.2 million tons of liner type freight moving between the USA ahd western Europe 4.7 million tons was containerised. Nevertheless, with substantial plan to extend containerisation to the UK/New Zealand and UK/South Africa trade routes, as well as the known interest of the Chinese in containerising their rapidly growing trade, considerable new investment in container ships is still likely in the next few years.

The production of container ships is dominated by West Germany. The six

major West German shipyards have obtained 33.6 per cent of the world market, measured by total container carrying capacity.

Container ships themselves are becoming more specialised and two growing variations on the container theme are the Roll-on Roll-off and LASH ships. RO/ROs (as they are called) carry vehicles, often container lorries, though they may be used for the transfer of anything from steel products to tractors. Only cargo which loads and unloads itself is accepted. They may be thus likened to a combination of container-ship and a car ferry. The LASH ship is the shortened name for lighter aboard ship. They load small barges which are themselves containers. The lighters (barges) are either floated into the ship through an open stern or are crane loaded aboard. Such ships are especially suitable for ports served largely by canal traffic and would thus prove ideal for the containerisation of the Chinese trade should it come about.

The future of shipping in world trade is unrivalled. No other transport medium could handle bulk cargoes as efficiently. The movement towards more cost effective larger ships has been the major development in recent years and, though this trend may change in the tanker market, there is no indication that it will in any other. Similarly, the increasing specialisation of ships making them more a integrated part of a transport system, w continue. However, the immediate ou look for the industry is bleak. Shipping r flects world trade so that recession throug out the industrial nations and moveme to reduce dependence upon oil impor will inevitably mean a significant weake ing in cargo rates and this in turn will r duce new orders for ships. There w also be an increase in the number of old ships laid-up or scrapped.

Sources and acknowledgements: Tl foregoing summarises a special report the latest issue of *Barclays Review*, pul lished quarterly by Barclays Bank Lt (54 Lombard Street, London EC3P: 3AH

Economic potential of the middle-east

Speech delivered recently by Mr Gerald L. Parsky, United States Assistant Secretary of the Treasury, before the Mid-America-Arab Chamber of Commerce, Chicago.

MUCH IS being said and written about the current mood of our country. We are told that the traditional American sense of optimism has been transformed into a nationwide attitude of doubt and gloom. I do not doubt that we are confronted with difficult times. The economy is in a recession while intolerably high rates of inflation still persist. At the same time, a rapid rise in the price of oil has caused serious effects on the economies of the world. And all of these problems are affected by the political tension that exists in the middle-east. Despite this situation, however I think it is important to emphasize that we in the United States have had serious troubles before without wallowing in cynicism and pessimism.

greatest danger

One of our greatest dangers today is to be swept up in a panic psychology, allowing our worst fears to dominate our thoughts and actions. If we become captives of the most extreme rhetoric — if we are too quick to expect the worst and too impatient to work, for the best— then we are very apt to choose the wrong solutions to our problems. There is no question in my mind that we have the strength and resources to cure the ills of today, but we can only do so if we have the wisdom and courage to apply the proper medicine.

Someone once expressed the thought that a crisis need not stampede men into panic. Instead, it can provide a stimulus to the creative energies of man. As we assess the economic potential in the middle-east, let us keep this in mind, peace and economic progress are interreleated. Without peace, economic progress will be short-lived. However, through economic progress, we can assist our efforts to achieve peace. This realization is at the heart of our approach to economic relations with the countries of the middle-east. Recognizing the interdependence of the world's economies, we believe that an atmosphere of respect and understanding, friendship and cooperation can help to temper the extremity of political disputes, can solidify political understandings and can help resolve the critical economic problems facing us.

Let us turn now to the specifics of our relationships with the countrides of the middle-east. In doing so, we must recognize that the transfer of wealth to these countries carries with it several interrelated considerations. First, the countries seek to develop their own economies; second, because several countries cannot spend all of their revenues internally, they seek sound investment opportunities outside of their economies; and third, because these countries sense the possibili of a leadership role in the world, they see opportunities to contribute to lesser de veloped countries. I would like to touc briefly on each of these responsibilities - internal development; external inves ment; and participation in third coun ries.

informal relationship

First of all, we have sought to develo our economic relationships in the mo effective way: informally — as is the cas with respect to our relations with Kuwa or the Emirates, or formally — throug joint commissions we have established wit several other middle-east countries.

I have participated actively in all c these relationships and, in particular, i our joint commissions, which I found t be a sound vehicle for dealing with th wide range of economic issues confrontin us. Each commission has had to face i own set of problems because the countrie vary considerably in their policies. Th is an important point.

Too often people view all of the middl eastern countries as one. They diffe however, in their priorities towards inte nal development as well as in their ap proach to external investment. To illu trate, this, I think it would be useful t focus on three of these countries: Ira Saudi Arabia and Egypt.

Iran : Iran has both substantial oil reve nues—slightly over 20 billion dollars 1974—and the capacity to use them. I

eady ambitious development plan was ently revised upward to reflect the rp increase in foreign eschange earn-s projected during the plan's term, ding March 1978, and extensive com-ments have been made for foreign investment. As a result, we expect t, by 1980, if not before, Iran's rent account surpluses may be elimi-ted. Internally, Iran is seeking to velop its basic materials industry, espe-lly oil, gas, petrochemicals, iron, steel d copper. To accomplish this objec-e, it must reduce the bottlenecks to mestic development in particular, a ortage of skilled manpower and an in-equate transportation system.

Recently our two countries announced arget of 15 billion dollars for non-oil de over the next five years. The Irani-ns estimate that, of this total — the bulk which will be US exports to Iran — about five billion dollars will consist of rmal trade commodities, five billion llars of military equipment and five lion dollars of goods for development ojects.

evelopment projects

Major Iranian development projects lected for cooperation between the two untries include a series of large nuclear ants, with associated desalinization ants, superhighways, housing facilities, spitals, vocational training centres, tablishment of an integrated electronic dustry, a major port, and joint ventures produce fertilizers, pesticides, farm achinery and processed foods. As we ork toward realization of these projects, e recognize that the answer does not lie ith governmental involvement but rather ith participation by the private sector. s such, we are establishing a joint busi-ess council to facilitate direct private ctor contracts and exchanges of infor-ation on business opportunities.

As you can see, the goals of this coun-y are most ambitious. Achievement of eir objectives will of course depend in rge part on personal leadership. I ave been most impressed by the people have met; in particular, the minister of conomy and Finance, Hushang Ansary. e and others are determined to diversify e economy so that 25 years from now — he time frame when their oil will be dep-eted at current production rates — they ill still be strong and assuming a leader-hip role in the world.

Saudi Arabia : Saudi Arabia has not chieved the development that Iran has, ut its oil reserves and potential surplus evenues provide it with ample resources o achieve its domestic development objectives. It is eager to modernize and diver-sify to improve its national living standard and lessen economic dependence on oil ex-ports. The major obstacle, however, to such rapid development is the lack of human resources. The country has a small and scattered population, resulting in a limited domestic market; and a man-power shortage, with a large fraction of the skilled and unskilled labour force coming from abroad.

The leaders of this country recognize this and Saudi Arabia's development plan calls for expenditures of 60 billion dollars by 1980. Emphasis is being placed on industries that are capital — and energy — intensive: petrochemicals steel and alu-minium; and in industries which meet the area's geographic needs: water de-velopment and conservation, desaliniza-tion and oasis reclamation.

Our cooperative efforts with Saudi Arabia have involved both assistance to their governmental and administrative operations and facilitation of participa-tion by our private sector in joint venture projects. As such, we have provided, on a reimbursable basis, more than a dozen experts to go to Saudi Arabia to identify problems and recommend technical assis-tance programmes in: the development of statistical base, improving industrial in-frastructure and documentation, improve-ment of customs procedures, develop-ment of environmental studies, improve-ment of port management, development of marine fisheries, and helping Saudi Arabia's patent and trademark system reach full international standards.

basic needs

Further, we recently agreed to send additional teams to examine higher edu-cation, agriculture, water resources and land use. A US team will also be helping to establish the Saudi Arabia national center for science and technology, which will eventually coordinate multifaceted science and technology programmes.

These examples amply reflect the Saudis' keen desire to develop and to diversify their economy and to expand and up-grade its manpower base in as short a period of time as possible. The technical expertise and assistance provided will undoubtedly lead to a growing and more attractive market in Saudi Arabia for goods and services from the US private sector.

Egypt : At the other end of the spectrum, Egypt's relatively skilled labour force and literate population, its good climate and natural resources, and its large domestic market are key ingredients for econom development. However, heavy defen expenditures have left little for investme in the non-defence sector, and have led difficulties in all sectors of the econom Egypt is receiving financial assistan from the US government — 250 millio dollars in fiscal year 1975 — as well a from Europe, Japan, and the oil producin countries of the area.

climate for investment

However, the real answer to successfu development in Egypt is not increased aid but capital investment. To achieve this the proper climate for investment must exist. We have been exploring ways to facilitate this, and the Eygyptians are mak-ing needed changes in their system to faci-litate private investment and the inflow of private foreign capital. For example, we have made considerable progress on a tax treaty; a new investment law has been enacted and several American banks will be opening in Cairo soon.

All three of these countries offer great economic potential — their characteristics differ but the potential is there. As we assess the possibilities for internal de-velopment, we soon realize that the oil producers in the middle-east cannot now deploy all of their earnings effectively in internal development. Each for some-what different reasons, has a desire to participate in the economies of the in-dustrialized nations of the world. And each recognizes their responsibilities to pro-vide assistance to less developed coun-tries.

One of the most important by-products of the cooperative efforts — formal and informal — we have established with the oil producers is a more detailed under-standing of their external investment poli-cies. They recognize that the investment decisions they make today are their insurance for the future. After extensive discussions, I do not believe that there is a threat that the oil producers will use their investments to dominate or disrupt sec-tors of the US economy.

First of all, the overall flows are not likely to approach some of the early pro-jections. Of the 60 billion dollars in sur-plus revenues accumulated by all OPEC members in 1974, 11 billion dollars — or only 18 per cent — was invested in the United States. And of that amount, well under one billion dollars was placed in "permanent" investments — stocks, long-term corporate bonds or real estate,. And over the longer term, although we can expect a larger proportion of funds to be placed in long-term instruments, I do not see a disproportionate amount flowing to

he US. In fact, I believe that the "oil deficits" will have effectively disappeared by 1980, and that the new investments will begin to decline before they reach a cumulative total of 200-250 billion dollars. Given all of these factors, I would not expect to see overwhelming amounts of OPEC funds invested in the securities of US companies. At most, there may be five billion dollars invested in 1975 and that may be a high estimate; but in any event it is not an amount which would result in domination of any important sector of the economy or to disrupt our markets.

As with policies toward internal development, the approach to external investment differs among these countries. Kuwaitis, the Gulf states and Saudi Arabia, which foresee a future of accumulating far more in revenues than they can hope to put to use domestically, regard their investment horizons as long term. The Kuwaitis are the most sophisticated and have some of the most knowledgeable people I've met in the field of foreign investment. They are exploring the entire spectrum of profitable long-term investment opportunities; from common stock to real estate. They will be seeking to acquire assets that are at least no less valuable, in their view, than oil in the ground.

investment strategy

Saudi Arabia's foreign investment experience is not so intensive as Kuwait's but it too recognizes the need to participate on a diversified basis in the consuming nations' economies. Without assistance, and that of US financial institutions, it has developed an investment strategy which emphasizes stability — as reflected in its requiring a steady pattern of dividend payments — growth — as reflected in its requiring a steady pattern of earnings growth — and diversification. Based on my experiences in this country, I would be surprised if Saudi Arabia invested more than 10 per cent in a particular industry and more than five per cent in a particular company.

Iran's investment policies are significantly influenced by its internal development programme. Iran will emphasize investments in companies which are in a position to help it expand its domestic industrial base by providing it with access to foreign products, increased technology, manpower skills and resourcs. I do not believe that Iran will be interested in investing in real estate or highly speculative ventures. For example, the judgment it must make in determining whether to invest in Pan Am — and to my knowledge that transaction is not a *fait accompli*—will involve several factors: Whether the investment is sound in a financial sense; whether the relationship with Pan Am can benefit Iran's domestic economy; and whether it can enhance the economic relationship between our two countries.

On my recent trips to the middle-east and in the course of commission meetings with Iran and Saudi Arabia, I have discussed with government leaders the oft-expressed fears of OPEC capital controlling key industries in the west. As reflected in my remarks tonight, these countries neither have the desire to control companies, nor do they have the facilities to manage such companies. They view themselves like any institutional investor, seeking a diverse portfolio of investments which will yield the best long-term return.

concept of cooperation

Further, they have a desire to participate with the United States in third countries. Another by-product of our economic dialogue is the crystallization of a new concept for cooperation in assisting other less developed countries. The OPEC governments have already recognized their responsibility through bilateral aid programmes — about nine billion dollars in 1974. The new concept — which we have termed "triangular investment" — will make it possible to combine the technology, equipment and managerial skills of the industrialized countries and the capital of the oil-producing countries to undertake productive investment projects in less developed countries.

Insofar as US participation in triangular investment is concerned, we expect the private sector to play the predominant role. The government can help by identifying project; by facilitating additional assistance in the form of export-import bank loans for guarantees or OPIC insurance; and by helping to coordinate relationships with the lending governments. But the burden will be on US private enterprise to respond to opportunities with the same kind of creative commitment which has made our economy the greatest in the world. It is both an opportunity and a challenge but we in government would not be doing what we have been to facilitate such programmes unless we believed that American business was up to the task.

As I stated at the outset, my activities in the middle-east reflect my view that economic issues should be dealt with separately from political issues. And I think the success we have had in making progress on a number of economic fronts in the midst of continuing political controversy confirms the correctness of this approach. Accordingly, I am especially concerned about the threat to continued progress on the economic front which I see presented by recent publicity given to the Arab League boycott.

collision course

The boycott, of course, represents a collision of the economic and political tracks: the use of economic measures to achieve political objectives. I have discussed this issue many times with Arab leaders. I have told them that we, as a government, oppose such a policy and will participate in the boycott in any way. They have emphasized to me that they regard the boycott as part of the continuing conflict with Israel and feel that it must be dealt with in that context. I have stressed that no one profits from this collision between economics and politics. The mutual benefits of full economic cooperation are simply too great to risk by such political activities.

At the same time, however, I do not believe that the answer to the boycott issue lies in increased confrontation, nor is it properly addressed by altering our traditional policies of a free and open market for trade and investment. Instead, it must be pursued directly with the Arab countries and increasing our economic ties can assist this process.

The diversity of subjects I have dealt with was designed to describe the breadth of our economic relationships with the countries of the middle-east. I recognize that at any moment the political conflict can deal a severe blow to our economic efforts. However, we must not let a political possibility deter development of the economic potential.

In the past, we in the United States could draw inspiration from stewardship, now we must find it in partnership. As such, we must seek political and economic relations which will strengthen the ability of free people to work toward a common goal. As Woodrow Wilson once said, "The highest and best form of efficiency is the spontaneous cooperation of a free people." Nowhere in the world do I see the need for such an approach as much as in the middle-east. The economics are there. — If we pursue them cooperatively and in a spirit of promoting peace, we will not only benefit ourselves but more importantly, the entire world.

embers of legislatures

y certain privileges vis-a-vis the rest ne community. The rationale is that privileges are necessary for the lators being able to serve the country best of their lights or abilities. aps the most important of these ileges is the almost absolute freedom peech which legislators enjoy on the r of the House of which they happen e members. This privilege is intended nable them to express themselves with- fear or favour. It follows that this ilege should be exercised only with a high sense of responsibility and lly in the public interest. Unfortu- ely, this criterion is not always honour- n practice. For instance, a few days grave allegations were made in Parlia- t against the integrity of a senior offi- of a nationalized bank on the basis of ng or false information. Again, two gress members of the Rajya Sabha, Kalpnath Ray and Mr Shyam Lal lav, alleged in that house that the D leader, Mr Charan Singh, had "con- ed to murder" the prime minister. ording to press reports of the inci- t, Mr Kalpnath Ray declared that was willing to repeat the charge housand times. It was not clear, vever, whether Mr Ray undertook to e the allegation outside the privileged ls of the Rajya Sabha.

n any case Mr Charan Singh has prom- y demanded of the union minister of te for Home Affairs, Mr Om Mehta, t the latter should order an inquiry into charges made against him. Mr Charan gh himself has described this allegation "false and baseless" and has rightly tten to the vice-chairman of the Rajya bha, strongly protesting against any mber of that house being permitted to ack a person not a member of that use and he has justly asked that the alle- ion should not be allowed to go on ord. The kind of accusation levelled inst Mr Charan Singh would be a seri- s one in any circumstance, and it is ubly so in the present political cir- mstances in the country. In fairness him, therefore, the ruling party should ke steps to ensure that its members, Mr lpnath Ray and Mr Shyam Lal Yadav, do not get away with making statements which are not merely libellous but are also in the nature of a criminal slander simply because those two individuals contrived to avail themselves of the immunity from legal proceedings attaching to observations made by legislators on the privileged floor of the house of which they happened to be members.

Although the incidents

I have just discussed are particularly serious ones, it must be added that it has become quite common for legislators, including ministers, to make comments or other observations in legislatures which, if made by ordinary citizens, would promptly land them in difficulties with the law. Take, for instance, some recent examples of contempt of proprieties which the minister of state for Information and Broadcasting has become accustomed to practise as a fine art. In spite of the fact that what has come to be known as "the Verghese case" is before the Delhi high court, Mr Inder Gujral, on more than one occasion in parliament, had felt free to voice his prejudices against the personalities or in relation to the issues involved; I do not want to go into details because I cannot be sure of enjoying the immunity from being cited for contempt of court which Mr Gujral, however, seems to be able to take for granted in his own case, but I do want to say that a minister who is capable of behaving in this manner is unworthy of holding any position of public trust or authority.

But then, the prime minister has never been very choosy in surrounding herself with objects of convenience. There is a sense, perhaps, in which stooges can be hired only on their own terms. Incidentally, when Mr Gujral came before parliament the other day to correct an earlier statement made by him that editors were not covered by the Working Journalists' Act, he, characteristically enough, refrained from telling the whole story. The truth is that knowledge came to him only when the chairman of the Press Council wrote to him pointing out his mistake and suggesting that he should take an early opportunity of informing parliament of the factual position, which of course was that editors, like other working journalists, were entitled to the protection of their service conditions in terms of the Working Journalists' Act.

The prime minister ex-

hibited amazing but not surprising immaturity or, more charitably, impulsiveness when she ordered the Customs authorities to refund the duties they had collected on the goods which the members of our World Cup hockey team had brought with them when they returned from Kuala Lumpur. Newspapers, in their editorials or elsehwere, have been rightly critical of this decision and have pointed out the various objectionable implications of Mrs Gandhi's ill-conceived interference with Customs law, regulations or procedures. Had she wanted to make a gesture to our hockey heroes, she could very easily have done this by releasing from the Prime Minister's Relief Fund an amount which would have reimbursed the members of the hockey team for the duties paid by them.

Having said this I would certainly ask of the self-righteous newspapers, which had felt themselves to be so superior to Mrs Gandhi in this matter, whether they had not also contributed to the amosphere in which Mrs Gandhi was tempted to act hastily in the way she had done. It may be recalled that the daily press, almost without exception, had carried hair-raising stories of the harassment alleged to have been inflicted on the hockey players by the Customs officials at the Meenambakkam airport in Madras.

On the face of it it is difficult to believe that those officials would have been unduly importunate or even officious in dealing with this particular lot of arrivals. It has been explained that if the members of the hockey team had to spend some hours in the Customs area, it was mainly because it took time for them to find the money for the payment of the Customs duties which were found to be owed by them.

I am not saying that things could not have been arranged better, but it is surely unfair to vilify the Customs officials who were only doing their job, or accuse them of wilfully or even avoidably harassing the hockey players. At least one newspaper editorial held that the prime minister's decision was found to have a demoralizing effect on Customs authorities. This may be so, but it is equally true that newspaper coverage of the Meenambakkam incident was even more calculated to have the very same effect.

VB

MOVING FINGER

TRADE WINDS

Trade Delegation to S.E. Asia

A HIGH powered trade delegation, led by Mr Vishwanath Pratap Singh, union deputy minister of Commerce, left for Indonesia on March 26, 1975. The delegation is expected to visit Singapore, Malaysia and Thailand also. In Indonesia, the delegation will discuss matters relating to production and export of tea. The tea industry of Indonesia has now rapidly increased and it has become one of the major tea producing countries of the world. The discussions will cover common approach to all matters relating to the trade of tea.

The deputy Commerce minister, being the founder chairman of the pepper community, will sort out various details about the future of the Community with the major members such as Malaysia and Indonesia. The details will include questions of allocation of headquarters of Community and various other matters. At Singapore, the deputy commerce minister will review the work of the branch of State Trading Corporations (STCs) and discuss ways to further strengthening and to make it more effective. In Malaysia, besides discussions on Pepper Community, the delegation will also take up discussions relating to rubber and palm oil. The delegation will explore the possibility of further trade promotion and the prospects for more joint ventures in Malaysia.

In Thailand, the delegation was present at the time of inauguration of the "Exclusive Indian Exhibition" on April 1, 1975. During its stay in Thailand, the deputy commerce minister will discuss with the Thai government the formation of Shellac Marketing Consortium.

Trade with Nepal

From April 1, 1975 the Indian export products to Nepal will be settled on the basis of the prices realised from India's current export sales to other friendly neighbouring countries. The ministry of Commerce has confirmed this arrnagement in a recent communication to the Nepalese embassy here with reference to the discussions which took place at the plenary session of the Joint Review Committee meeting on March 24, 1975. In this connection, the Indian Ambassador in Kathmandu met the Nepalese minister of Industry and Commerce in early March and communicated to him India's view that realistic prices would be charged for supply of commodities to Nepal. The basis of prices would be same as in the case of other friendly neighbouring countries. The ministry of Commerce has indicated that the prices would be settled by the commercial organisations of the two countries. The present arrangements for supply of essential commodities to Nepal will expire on March 31, 1975.

During 1973-74, India's exports to Nepal amounted to Rs 28.89 crores while the imports from Nepal were around Rs 13 crores. The Indian exports to Nepal include items like coal, cement, iron and steel products, transport equipment, medicinal and pharmaceutical products, cotton yarn, tea, salt, machinery and cotton fabrics. Nepal exports a sizeable quantity of rice, malted butter, sheep and lamb wool, pulses, oilseeds, dyeing and tanning material to India.

Indo-Pak. Shipping Talks

Agreement was reached at the India-Pakistan shipping talks recently on freight rates for shipment of 200,000 bales of cotton from Karachi to Indian ports. The agreement on freight marks the successful completion of talks between India and Pakistan on resumption of shipping service which remained suspended since 1965. The visiting delegation went to Pakistan on April, 1, 1975. Mr J.G. Saggi, Managing Director of the Mogul Line, which is the Indian coordinator at the talks, stated that the entire shipment was expected to be completed by September. He declined to specify the freight rates, though. Cotton is the only commodity for trade between the two countries so far. The first shipment of 30,000 to 35,000 bales from Karachi will be on a vessel of the National Shipping Corporation of Pakistan. Of the 200,000 bales, Indian lines will carry 100,000. The coordinator will decide the appointment of the share of various Indian lines. It is learnt that each line has staked its claim to a share of the cargo.

Japanese Assistance

Japan will extend a Rs 29.8 crore credit to India for financing the foreign exchange costs of the Panipat fertiliser project. Notes concerning the aid were exchanged recently in Tokyo between the Indian Ambassador and the Director General of the Economic Cooperation Bureau of the Japanese ministry of Foreign Affairs. The aid is part of the fourteenth yen credit amounting to 30.1 billion yen (Rs 81.7 crores) extended by Japan to India for 1974-75. The loan will cover payments to be made to Japanese suppliers, consultants and contractors by Indian importers for the purchase of Japanese goods and services to be required for the implementation of the project. The loan will be repayable over 25 years, including seven years grac[e] period. It will carry an inte[rest] rest of four per cent per annum. The loan is extended to Indi[a] in response to the request mad[e] by the government of India a[t] the Aid-India Consortium mee[ting] in Paris in June, 1974.

Trade with Sudan

India is to import a variety of goods from Sudan in a fresh bid to adjust the trade deficit existing between the two countries. A delegation is likely to leave for Khartoum to identify the commodities for imports and enter into agreements on prices. The delegation will also include a deputation of leather experts. to look into the technical aspects of the hides and skins, which are likely to be imported in a big way. These efforts are a sequel to the last visit of the union Agriculture minister, Mr Jagjivan Ram, to Khartoum about three months back.

Sudan has a substantial trade deficit with India, estimated at about Rs 18 crores accumulated for long owing

he liberal credit facilities n by the country. The e between the two couns is conducted through teral arrangements valid specific periods which now ude a new clause called hnical credit'. The same been working satisfacly with Egypt. Besides, it been agreed that items ing upto 80 per cent imt replenishment would ne be permitted for exts to Sudan. India's imt from Sudan had virtu- come to a standstill er 1972-73 as Sudan, which inly offered long staple ton and a very limited ntity of gum arabic, raised prices of cotton at a time en the international prices de uneconomic for India purchase Sudanese cotton.

do-Sri Lanka ea Committee

A three-man delegation m Sri Lanka arrived recentfor the meeting of joint mmittee on tea, which is to iew the tea pricing and oduction. The Sri Lanka egation is led by Mr Doric ouza, secretary, ministry Plantations and Industries ile the Indian delegation led by Mr Y.T. Shah, union mmerce secretary. The nt committee started its iew of the tea pricing and level of export. India and Lanka have formed a nsortium which determines common price for export of and Sri Lanka's share in is about one-third of the al Indian exports. It is ely that the talks will inde details about the fortion of a bigger consortium export of tea with Indosia as its third member.

S Trade with OPEC

President Ford signed an ecutive order placing 24 tions on a trade blacklist. e order gives special trade eferences to 89 developing untries and 43 dependent ritories. Blacklisted were 13 members of the Organiion of Petroleum Exportg Countries—Algeria, Ecuar, Gabon, Iran, Iraq, Indosia, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. In addition Cyprus, Greece, Hong Kong, Israel, Yemen, Portugal, Rumania, Somalia, Spain, Turkey and Uganda were also excluded as a result of provisions of the Trade Act, passed by Congress last year to reform world trade.

The US preferences will provide for up to 10 years duty-free treatment to those favoured countries supplying a broad range of manufactured and semifinished products as well as selected agricultural and primary industrial products. Yemen, Somalia and Uganda are on the blacklist because of outstanding investment disputes with the US. The remaining countries — Israel, Spain Portugal, Cyprus, Greece and Turkey—have been listed because they have special trade arrangements with the European Economic Community. Hong Kong is also included on the exclusion list because the US is considering whether it can be deemed a developing or developed country, administration sources state.

Miners' International Meet

The five-day Miners International Congress conculded with a call to the governments of both oil-consuming and oil exporting countries to seek common solution to the problems of stabilising energy markets. The congress also urged them to avoid a confrontation between the oil consuming and oil exporting countries, which it felt, would harm the interest of the working class and that was a pre-requisite for peaceful development with greater social justice for the mankind.

Organised by the Miners International Federation, the 42nd congress passed a number of resolution on the topics of vital interest to the mining industry and mine workers. The resolutions were released at a news conference by Mr E. Edwards, General Secretary of the Mining International Federation, and Mr Kanti Mehta, President of the Indian National Mineworkers' Federation. By another resolution the congress criticised South Africa's apartheid policy. The executive of the federation was asked to find ways and means of assisting the African mineworkers in South Africa to organise trade unions and get them recognised. The congress called upon world bodies such as the ILO and the UN to adopt international conventions and recommendations for improved safety, better working conditions and extended welfare for the workers in the mines.

UNIDO Plan

The UNIDO conference held recently at Lima approved a comprehensive plan of action aimed at giving third world states a 25 per cent share of global industry by the year 2000. The US, West Germany, Japan, France, Britain and Canada were among developed countries which voted against or abstained on key paragraphs of the document. Britain, West Germany, the US and Japan served notice that they wanted to record their objections formally. Delegates of Zaire and Senegal appealed to them not to press for a vote and simply state reservations after the conference approved the Lima declaration by consensus. But Britain's Mr Leonard Martin and US ambassador W Tapley Bennet insisted there were fundamental differences that could not be ignored.

The conference approved by 74 votes to six with 13 abstentions a proposal to link the prices of developing countries' exports with the prices they paid for imports from the developed world. Canada, West Germany, Italy, Japan, Britain and the US voted against the proposal. Australia, Austria, Belgium, Denmark, Finland, Ireland, the Netherlands, New Zealand, Nicaragua, Norway, Spain, Sweden and Switzerland abstained, France was among the countries favouring the inclusion of the paragraphs. But the French delegation joined those of nine other countries in voting against a paragraph endorsing every state's "inalienable right to exercise freely its sovereignty and permanent control over its natural resources, including nationalisation." The other negative votes were those of Belgium, Denmark, West Germany, Italy, Japan, the Netherlands, Britain and the US. Other 11 countries, Australia, Austria, Finland, Ireland, Israel, New Zealand, Norway, Portugal, Spain, Sweden and Switzerland abstained. Seventy-one states voted to retain the paragraphs.

The Lima declaration noted that countries representing 70 per cent of the world's population had only seven per cent of world industry. It asserted that "their share should be increased to the maximum possible extent and as far as possible to at least 25 per cent of total world industrial production by the year 2000".

Export Policy for Leather

The government adopted a scheme of restriction on the export of semi-finished hides and skins with a view to placing greater-emphasis upon production and export of leather in more and more finished forms. According to the scheme, annual quotas were fixed for individual exporters on the basis of their export performance during the five years, 1968 to 1972 paying due regard to transitional needs.

The quota scheme has been put into operation with effect from the year 1973-74. Government did not effect any reduction during the year 1974-75 because it was felt that infrastructural facilities could not be augmented within a short time. At the same time, the government urged the tanners to take speedy steps for creation of infrastructure.

The government has reviewed the entire position again with a view to formulating the policy for 1975-76. They appreciate that a large number

of tanneries are taking steps for creation of infrastructure for production of finished leather, leather goods and footwear. While the export of semi-processed hides and skins in the current year, 1974-75, suffered a decline owing to international conditions, export of finished leather leather goods and footwear has still registered a satisfactory increase during the year. Government, however, note that a considerable backlog of stocks is left and production facilities for finished leather are just being augmented. In the circumstances the government consider that the export of semi-processed hides and skins may be maintained at the same level in 1975-76 as in 1974-75.

The government would however, like to impress upon the industry that there can be no change or going slow in the policy of increasing production of finished leather and would urge that industry should continue to take more expeditious steps and efforts to accelerate the pace of change over. The annual individual quotas fixed for the individual exporters will coutinue to be available at the same level as in 1974-75. All other conditions will continue to be in force as hitherto in the policy for 1975-76 also. As much (a 10 per cent of the total quantity will continue to be reserved for non-exporting tanners and job tanners.

Import of Fertilizers

Following a high-level decision to entrust all imports of fertilisers to a single agency the Minerals and Metals Trading Corporation which was hitherto handling the imports of fertilisers from rupee payment area, is also being asked to look after the import of fertilisers from free currency areas until now being done by the Department of the Supplies. A decision was taken by the cabinet committee on economic policy and coordination last year to entrust the import of all fertilisers to a single commercial agency. A single commercial agency was thought of for two main reasons. It would have more freedom and would be able to take quicker decisions according to market variations Secondly, a single agency would have better bargaining strength having control on both imports from rupee and free currency areas.

Export Gem Team

A delegation of the Gem and Jewellery Export Promotion Council left recently to tour Gulf countries—Oman, Abu Dhabi, Quatar, Bahrain, Saudi Arabia, Kuwait and Lebanon. The delegation will study the possibilities of increased export of gem and jewellery items from India to these countries.

Portable TV

The research department of All India Radio has developed a 12-inch transistorised portable TV set and passed on the know-how to the Electronics Corporation of India, Hyderabad, for commercial exploitation, Mr Dharam Bir Sinha, deputy minister for Information and Broadcasting, revealed recently.

Engineering Exports

Export of engineering goods could be stepped up to Rs 350 crores in 1975-76 despite the various problems, including recession, Mr R. C. Maheshwari, Chairman, Engineering Export promotion Council, stated recently. He said at a press conference that the union government would, however, have to adopt a pragmatic approach regarding certain major problems such as export finance, foreign travel facility and streamlining of procedures regarding export benefits. Mr Maheshwari said the export of engineering goods during 1974-75 is likely to touch Rs 300 crores. Considering, however, that the year 1974-75 was an exceptional year and that the world was now faced with severe recession, 1975-76 would be a difficult year. Export was going to be extremely tough and Indian manufacturers were, therefore, going to face very serious competition. "Under all circumstances, we shall have to strive for a compound growth rate of 20 per cent to keep our economy on even keel", he said.

Exports of Dyestuffs

The dyes industry had made good progress on the export front, in the first 10 months of the 1974-75 its exports being estimated around Rs 17.58 crores as against Rs 7.2 crores in the corresponding period of the previous year, Mr Shivanand J. Shah told the Dyestuffs Manufacturers' Association of India at its annual meeting held recently. Export sales were largely to the developed countries such as the Netherlands, the USA, West Germany, Japan and Italy. The main items of exports were pigment dyes, Mr Shah added. He was happy to note that the government of India had granted protection to dyestuff intermidiates up to December 1977. He wanted the dyes industry to be included in the priority sector. Referring to the problems of small-scale dyestuff units, Mr Shah felt that the government should favourable consider the allocation of imported raw materials to them on the basis of assessed capacity. He suggested that they should get a reserved quota of dyes intermediates produced by the organised sector.

Computer Corporation

The Planning Commission has approved, as part of the fifth Plan programme of the Department of Electronics, the establishment of a computer maintenance corporation. The corporation would concern itself with the maintenance of computer and allied equipment. It would also design, instal and maintain data communication and thermal equipment other than those carried out under the purview of the ministry of communications.

Super Thermal Plants

Mr K. C. Pant, minister for Energy, stated in the Lok Sabha recently that discussions were held with the World Bank on four super thermal stations the government pl to set up. These discussi were yet to be finalised. Pant added that the gove ment wanted to take up so super thermal power static which would generate m than 1,000 MW of power ea

Hindustan Zinc

The public sector Hind tan Zinc Ltd, Udaipur likely to make a profit about Rs 7 crores in 1974- Rs 2 crores more than l year. The company's t units—the zinc complex ne Udaipur in Rajasthan and t leas smelter at Tundoo Bihar—have in recent mont been working above their rat capacities and they will e ceed the production targe set for them for 1974-75. T output of zinc (cathodes, d ring the year is likely to about 16,000 tonnes again the target of 15,400 tonn and pig lead 4,000 tonnes against the target of 3,800 to nes. The zinc smelter ne Udaipur which now has capacity of 18,000 tonnes p annum is being expanded t 46,000 tonnes. The expande smelter is likely to be commi sioned within two years.

New mines are being open up in the Zawar area of Raja than to meet the requiremen of the expanded zinc comple The company's lead smelt in Bihar, which now has capacity of 3,600 tonnes pe year, is being modernised an expanded to achieve an annua output of about 6,000 tonnes

MP Alumina Unit

The feasibility report fo the setting up of an alumin unit, based on beauxite deposit in Madhya Pradesh is expec ted to be submitted to th government of India by Sovie experts sometime in May next This has been indicated in th latest official note on the pro gress of Indo-Soviet Economi Cooperation in various sectors According to the note, th first phase of the Korba aluminium smelter is sheduled to be commissioned in Apri next and already 30,000 tonne of alumina have been supp lied to the Soviet Union from the Korba aluminium complex

COMPANY AFFAIRS

Subdued Sentiment

SLUGGISH CONDITIONS prevailed in the stock market during the past week which was interspersed with holidays. Although there was some improvement at times in selected scrips gains could not be maintained due to lack of follow-up support. The market continued to be subdued despite the fact that institutional buyers such as the LIC and the UTI were taking small parcels of scrips in Bombay and Calcutta. Although the tenor of the corporate news during the week was on the whole good, the market sentiment appeared to be have been little influenced by it. Operators were not inclined to enter into fresh commitments because of various imponderables. With support lacking, prices generally drifted lower. The turnover was moderate.

Sandoz

A token consignment of drugs, to mark the first shipment of a 'record export order' to the Soviet Union by Sandoz (India), was presented to Mr L.N. Antipov, USSR Trade Commissioner in Bombay, by Mrs Pratibha Patil, the Maharashtra Minister for Health last week. A protocol for a long-term agreement was signed with Medexport when a delegation from the parent organisation in Switzerland visited Moscow some time in February. If the agreement is ratified, the total exports to the USSR. by Sandoz (India) would be Rs 10 crores by 1978. Making the presentation, Mrs Patil said the single export order represented about 45 per cent of the total formulation exports to different countries from Maharashtra. In his welcome address, Dr J.N. Banerjee Managing Director of the company, said Sandoz (India) exported not only pharmaceuticals, but also dyestuffs and industrial chemicals and agrochemicals. The foreign exchange earnings by exports exceeded the remittances by the firm by Rs 2.49 crores during 1965-73. Export orders for 1974 totalled Rs 2 crores. For the current year it would be another Rs 2 crores. Apart from the USSR, Sandoz exported drugs to countries in Africa, West Asia and the Far East. The export of dyes and industrial chemicals amounted to Rs 18 lakhs. Moreover, a beginning had been made in the export of pesticides with a consignment to Sudan.

Dunlop

Dunlop India's total exports in 1974 exceeded Rs 5.56 crores. The company, which exports to 92 countries surpassed its 1973 performance by 67 per cent. This remarkable achievement in the highly competitive international market was made possible by a dynamic drive made by the Dunlop export team to open up new markets and expand existing ones. Dunlop India is one of the few companies that have developed products exclusively for the export markets. Among the countries where Dunlop India exported for the first time in 1974 were Japan, Switzerland, Spain, Columbia and British Solomon Islands. The products exported by Dunlop India included automotive tyres, cycle rims, tyres and tubes and a variety of industrial rubber products. As an eligible export house, Dunlop India also played a leading part in finding export outlets for small and medium-sized units manufacturing a variety of products, including sports goods, bicycle parts and ready-made garments. Exports in 1974 on these accounts registered a rise of 76 per cent over that of 1973.

Hindustan Ferodo

Hindustan Ferodo has reported considerable improvements in its working results during 1974, its sales, profits and margins all being substantially higher than in 1973. An equity dividend of 7.5 per cent has been declared which is the maximum possible under the dividend legistation. Sales during the year spurted by about 55 per cent to Rs 10.43 crores from Rs 6.73 crores while gross profit shot up by 68 per cent to Rs 2.34 crores from Rs 1.39 crores in 1973. Out of the gross profit the directors have appropriated Rs 31.30 lakhs to depreciation reserve and Rs 4.70 lakhs to development rebate reserve. After making other adjustments, a sum of Rs 198.34 lakhs has been transfered to general reserve. The tax liability for the year is estimated at Rs 132.52 lakhs. The proposed dividend will claim Rs 18.61 lakhs.

Ultramarine and Pigments

Ultramarine and Pigments' synthetic detergent plant at Ranipet, Tamil Nadu, has gone on stream and this is the first unit of its kind to go into production in South India. The story of Ultramprine Pigments Ltd begins way back in 1960 when a plant to manufacture ultramarine blue was set up at Ambattur, Madras. Formed as a public limited company, Ultramarine and Pigments was initially established in technical collaboration with Vereinigte Ultramarine Fabriken A. G. of West Germany. The plant 'OOB' brand of ultramarine blue, now a well-known household name. In addition manufacturers all industrial qualities of ultramarine bl for artists, materials, pain plastics, printing ink and rubber industries.

The company's plant Ambattur now has manufacturing capacity more than 2000 tonnes p annum. That was only t beginning. Then came urgent need to increase t detergent production in t country. The company ro to the occassion and pl were drawn for setting up unit to manufacture synthe detergent with a capacity 10,000 tonnes per annu Land was acquired at new industrial complex Ranipet, a declared backw area, in Tamil Nadu. St were also taken to enter i an agreement with Me Ballestra S.P.A. of Milan, of the foremost deterg machinery manufacturers the world. The foreign laborators have rendered v able technical assistance the execution of the proj This unique amalgamation of the finest Italian exper and experience and Ind skills and finance has resul in the commissioning of synthetic detergent plant Ranipet.

EMCO Transformers

Although the turnover Emco Transformers has g up from Rs 2.17 crores Rs 2.65 crores the gross p has declined to 12.28 l during the year ended Sept ber 30, 1974 from Rs 2 lakhs in the preceding y The directors have rec mended an equity divi of five per cent. In event of the dividend legi tion being amended the c any intends to recommen dividend at the permiss rate but not exceeding eight cent. Pending orders at end of January 1975 are the order of Rs 5.58 cro Since most of them have c price escalation provis the company has cov against loss in profits on

of cost-price. The
has received a letter
t for increasing the
to one million KVA
manufacture transfor-
to 220 KVA. It also
start manufacture
transformers required
ways.

hemicals

Chemicals has nearly
ts gross profit to Rs
res during 1974 from
5 lakhs in 1973 while
ve gone up significant-
Rs 5.78 crores to Rs
res. Out of this gross
e directors have ap-
a sum of Rs 15.60
depreciation reserve,
lakh to development
eserve and Rs 70.50
taxation as against
3 lakhs, Rs 2.89 lakhs
13.50 lakhs provided
vely in 1973. The
s have enhanced the
ividend from 10 per
12 per cent.

Carbide

on Carbide India has
the Rs 100-crore mark
during the year ended
er 25, 1974. Its total
Rs 103 crores were 37
t higher than in 1973.
was generally good
acceptance for all its
s. In fact its sales
ave been still higher
power cuts and shor-
critical raw materials
zinc spelter. Its ex-
talled Rs 23 million
pared to Rs 16.5 mil-
1973. The electrolytic
se dioxide was expor-
ing the year for the
e. The prospects for
d exports of this
are considered to be
t, provided adequate
is obtained at its
plant.

rt of shrimp were
ned at the last year's
about Rs 73 lakhs.
rst of seven new
vessels ordered from
n Docks is scheduled
runs in a third quar-
1975. The company
as been constantly
ng its activities is now planning to venture into the garments field in a big way. It has applied to the government for 100 per cent export oriented project for the manufacture of ready to wear garments at Calcutta. The project is envisaged to an ultimate export potential of more than Rs 20 crores a year.

Gross profit too recorded a smart rise to Rs 17.27 crores from Rs 13.81 crores in 1973. Out of the gross profit, the directors have appropriated Rs 3.6 crores to depreciation reserve, and Rs 0.15 crore to to development rebate reserve. No provision has been made for taxation for 1974 which is estimated at Rs 9.1 crores and when assesed will be paid out of the general reserve. On this basis the estimated net profit after tax for 1974 amounts to Rs 4.4 crore. No interim dividend was declared for the year. However, the government's approval was obtained for issuing one for two bonus issue. The company has declared a final dividend of Rs 1.09 per share of Rs 10 each on the enlarged capital and it will be paid to those whose names appear on the register of members as an April 22, 1975.

Research and development activities were considerably expanded in 1974. Construction of the agricultural chemicals reserch and development centre at Bhopal is essentially completed. Construction of the electro-chemical research and development laboratory at Calcutta was started in early 1974. The laboratory will be entirely dedicated to the improvement and development of electrical storage systems and components, Outstanding achievement in 1974 were in the areas of chemical herbicides, manufacturing grocesses for agricultural chemical intermediates and development of technology for the use of titanium anodes for EMD plating.

In the biological research department laboratory rearing of the rice steam borer through the entire life cycle was successfully accomplished. This technique will be ulilised in the green house facilities recently established for rice pesticide development at Bhopal. As for its expansion schemes the engineering and construction work on the MIC project is progressing according to schedule. The design and engineering work for the expansion of polyethylene capacity has started. Orders for additional equipment will be placed during 1975.

The theme of the annual report this year has been the "People of Union Carbide" who run the complex multiproduct operations of this giant enterprise on behalf of its 18,000 shareholders. In this report a vivid and fascinating portrayal of a cross section of its employees — right from the factory worker to the top director — has been made and this splendid feature, no doubt, will be of absorbing interest to the shareholders and the investing public in general.

Raza Buland Sugar

Despit a sharp rise in sales from Rs 5.67 crores to Rs 7.48 crores, the gross profit of Raza Buland Sugar has dropped to Rs 36.12 lakhs, during the year ended October 31, 1974 from Rs 40.87 lakhs in the previous year. No provision has been made for depreciation for two years due to unabsorbed losses. After providing Rs 3.36 lakhs for development rebate and making other adjustments a debit balance of Rs 44.70 lakhs has been carried forward. During the 1973-74 season the company crushed 37.41 lakhs quintals of cane as against 27.04 lakh quintals in the previous season and produced 3.24 lakh quintals of sugar as against 2.48 lakh quintals in the earlier year. The company has decided to change its accounting year from October to June from the current year.

Kanoria Chemicals

Kanoria Chemicals & Industries Ltd., has been selected for the 1974 award for outstanding services in the field of industrial relations by the Federation of Indian Chamber of Commerce and Industry.

The company's chemicals factory at Renukoot, Uttar Pradesh has a record of uninterrupted industrial peace, with not a single man-day's loss of output on account of industrial disputes since its inception inspite of the area being noted for industrial unrest. This climate of peace has been conducive to the growth of the enterprise. Expansion programmes have been implemented doubling the output of caustic soda from 50 to 100 tonnes a day diversification into the field of manufacture of pesticides (Benzene hexa chloride) and stable bleaching Powder and further expansion of these units.

Unit Trust

The sale and the repurchase prices of the units of the Unit Trust of India were raised by 10 paise each to Rs 10.75 and Rs 10.45 a unit respectively with effect from March 25.

News and Notes

Syndicate Bank has been chosen for the 1974 Federation of Indian Chambers of Commerce and Industry (FICCI) Award for exceptional services and outstanding activities in the field of Agriculture.

The Tata Engineering & Locomotive Company Limited has won the All-India Top Exporters Shield for the highest exports in the field of engineering goods during 1973-74. Telco's exports during the year, of the aggregate value of Rs 7.30 crores, went to more than 25 countries including Uganda, Afghanistan, Egypt, Iraq, Bahrain, Libya, Sri Lanka, Bangladesh, North Korea, Yugoslavia, New Zealand, Taiwan and Guyana. The total number of vehicles exported by Telco since 1961-62 exceeds 10,500 units of the cumulative value of over Rs 57 crores.

New Issues

Vazir Sultan Tobacco Company Ltd. is entering the capital market on April 7 with a capital issue of Rs 1.77 crores in 17,70,000 equity shares of Rs 10 each at a premium of Rs 6 per share. Out of the present issue, 171,940 equity shares have been offered as rights to the existing Indian shareholders in the proportion of one equity shares for every four equity shares held. Besides 50,000 equity shares have been reserved for the employees, directors and distributors of the company. The remaining 15,48,060 equity shares are being offered to the public for subscription.

The subscrsption list for this fully underwritten issue will close on April 18 or earlier but not before April
of Rs 8 is payable o
tion and an equal a
allotment. The sha
being issued will r
passu with the existin
shares of the compan
that they shall parti

dividend which may be
ared in respect of the year
ng on September 30, 1975,
to the extent of half of
rate at which such divi-
may be declared by
company. The principal
ct of the present issue
reduce the foreign share-
ing from 65.61 per cent
34.81 per cent. The
eeds of the issue will be
sed for financing projects
lving diversification and
vth of the company's acti-
s as and when projects
financed. In the mean-
the funds raised through
issue will be utilised to
ment the working capital
he company as may be
essary.

The main business of the
pany is the manufacture
sale of cigarettes. Its
n brand of cigarettes 'Char-
ar' is the largest selling
nd in the country. Its
er brands of cigarettes, in-
le, 'Vazir Filters', 'Vijay',
ah-i-Deccan,' and 'Bobby'.
company has also deve-
ed a new brand of cigaret-
"Charminar Filter Kings"
export markets. Apart
n playing a significant part
he development of tobacco
ivation in the Telengana
ion of Andhra Pradesh, the
npany has recently pioneer-
he cultivation of non-tra-
ional types of tobacco for
ort. Orders being receiv-
ensure a steady growth in
promising area.

The company is also ex-
ring the possibilities of
ering into various fields
h a view to diversifying
activities. The work in
nection with these pro-
ts are in a preliminary
ge and are expected to be
alised within the next few
onths. The company has
intained the equity dividend
25 per cent during the four
counting years, 1969-70 to
72-73 but during the year
ded September 30, 1974 the
mpany declared a dividend
12 per cent, this being the
aximum permissible under
e Dividend Act. As there is
eat demand for the com-
ny's products the directors
e of the opinion that the company will earn sufficient profits to pay reasonable dividends on the equity capital as increased by the present issue.

Northern India Glass Industries is setting up a plant at Sankhol, Haryana, for manufacturing sheet glass with a capacity of five million square metres per annum. The capital outlay on the project is estimated by Rs 3.40 crores. It will be financed by the share capital of Re 1.30 crores, rupee term loans of Rs 142.76 lakhs, foreign currency loans of Rs 52.24 lakhs and unsecured loans and deposits of Rs 15 lakhs. The company will soon be offering to the public for subscription 620,000 equity shares of Rs 10 each. The company has entered into an agreement with Penne Kemp K.G. of West Germany for supply of technical drawing of furnace. It has also entered into an agreement with Shree Vallabh Glass Works for providing technical assistance as also for training of the technical personnel.

The research and development laboratory of Shri Vallabh Glass and the necessary drawings will also be made available to the company. The glass drawing machine and oil firing equipment will be imported from West Germany. The company does not anticipate any difficulty in marketing products because the major portion of the company's products is expected to be consumed in the northern areas itself since at present the demand for these regions is being met from West Bengal, Gujarat and Bihar.

Security Equipment Manufacturers proposes to make a public issue of Rs 22 lakhs, consisting of 150,000 equity shares of Rs 10 each and 7,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. The proceeds of the issue will be utilised for financing a part of the cost of the Rs 54 lakh expansion programme. The company is engaged in manufacturing locks of various kinds. Its products are being sold in the country besides being exported to Poland, Germany, Iraq, the USA, the U.K. and African countries. During the year ended June 30, 1974, its sales amounted to Rs 32.26 lakhs, including exports of Rs 11.71 lakhs, yielding a gross profit of Rs 4.96 lakhs and net profit of Rs 1.28 lakhs. During the six-month period ended December 1974, its sales totalled Rs 20.62 lakhs including exports of Rs 5.62 lakhs while gross profit amounted to Rs 3.22 lakhs. The capital outlay on the expansion programme of Rs 54 lakhs is proposed to be met by the share capital of Rs 24 lakhs and loans of Rs 30 lakhs.

Capital and Bonus Issues

Consent has been granted to five companies to raise the capital of over Rs 2.86 crores. Out of this three are issuing bonus shares. The details are as follows:

The Simplex Mills Co. Ltd., Bombay Have been accorded consent valid for three months, to capitalise Rs 49,89,600 out of its general reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus shares for every two equity shares held.

The Parke-Davis (India) Ltd, Bombay Have been accorded consent vaild for three months, to capialise Rs 10[illegible] lakhs out of its general reserv[illegible] and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Metroark Pvt Ltd, Have been accorded consent, valid for three months, to capitalise Rs 8 lakhs out of its reserve profit and loss account and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Wheels India Ltd. Has been accorded consent, vaild for 12 months for issue of further capital of Rs 44 lakhs in equity shares of Rs 100 each for cash at premium of Rs 15 per share to the general public by a prospectus.

The C.G.R. India Ltd, New Delhi Have been permitted to issue the initial capital of Rs 80,00,000 (inclusive of the capital already raised) in the form of 80,000 equity shares of Rs 100 each for cash at par. Out of this capital, equity shares worth Rs 48 lakhs are to be alloted to Messrs Campagnie Generale De Radiologie. Paris (France) and the balance shares worth Rs 32 lakhs to Escorts Ltd, New Delhi. The consent is valid for 12 months only.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Central India Machinery	March 31, 1974	8.0	Nil
Macmillan Company of India	December 31, 1974	3.5	Nil
Same Dividend			
Bharat Forge	June 30, 1974	12.0	12.0
Industrial Cables	October 31, 1974	10.0	10.0
Sylvania & Laxman	September 30, 1974	Nil	Nil
Reduced Dividend			
Basf India	December 31, 1974	6.0	12.0
Simon Carves	December 31, 1974	12.0	17.5
Saraspur Mills	December 31, 1974	12.0*	24.0
Aruna Mills	December 31, 1974	11.0*	20.0
Ashoka Mills	December 31, 1974	11.0*	20.0
Arvind Mills	December 31, 1974	11.0*	22.0

*On increased capital.

COMPANY MEETING

E.I.D.—PARRY LIMITED

Address by

Mr. R. Venkataswamy Naidu, Chairman to the Shareholders

The Seventy-seventh Annual General Meeting of the Company was held on the 27th March, 1975. Presiding over the Meeting the Chairman Mr R. Venkataswamy Naidu made the following Statement to the Shareholders.

Ladies and Gentlemen:

While I am sure shareholders will agree that the Report and Accounts for the year ended 30th September, 1974, sent to you earlier this month in compliance with statutory regulations show excellent trading results, I can well believe that you will find the final amount available for distribution and the rate of dividend recommended a matter for some disappointment. I will come to this point later, meanwhile, with your permission, I will take the Report and Accounts as read.

I am happy to be able to say that the Group Profit for the year amounting to Rs. 560.85 lakhs before providing for taxation is the highest achieved so far, and in comparison with the profit of the previous year of Rs. 286.24 lakhs constitutes a significant improvement. In arriving at these profits the contribution of Rs 87.22 lakhs towards the approved gratuity funds set up to meet our liability in this regard to staff and labour and details of which have been furnished in the Directors' Report and the Accounts, has been charged. The relative figure of profit after providing for tax for the year under review is Rs 159.62 lakhs.

In my statement to the shareholders last year I had expressed the hope that the accumulated losses will be wiped out as a result of current year's operations and I am happy that this has materialised, Once again as in the previous year all the divisions in the Group—both manufacturing and trading—barring sugar, improved upon their previous year's performance. Coupled with this was the fact that there was a further net reduction in the incidence of interest charges. The combined effect of all these factors enabled achievement of the results recorded this year.

A further sum of Rs 8 lakhs was collected during the year against the doubtful debts in Andhra, thus increasing the total amount collected against doubtful debts to Rs 23 lakhs against the original provision of Rs 43 lakhs made in the previous years.

Dividends

Consequent upon the advent of the Companies (Temporary Restrictions on Dividends) Act, 1974, the dividend payable on the Ordinary Share Capital is restricted to only 8 per cent in our case. Accordingly, your Directors have recommended for approval by shareholders the payment of this dividend. Although the profits for the year under review will have enabled the payment of a larger dividend but for the restrictions imposed by the above said Act, we have by virtue of this necessity utilised the balance profits available after making all the appropriations including payment of dividend on Preference Share capital and the statutory transfer to Development Rebate Reserve, to wipe out completely the loss carried forward in the books of the Holding Company, thus enabling a healthier picture to be presented through the Accounts for the year under consideration. Whilst presenting the Central Budget for 1975-76 the Finance Minister has announced that the law governiag restriction on dividends will be amended to provide for declaration of a larger dividend, although any payment in excess of the presently prescribed limits can be made only in two instalments after the present enactment expires. The details of the amendments are awaited and will be taken into account in considering the dividend payments for the current year running.

Sugar:

Nellikuppam Sugar Factory crushed 4.96 lakh tonnes cane and produced 40,649 tonnes sugar at a recovery of 8.19 per cent during the year 1973-74 compared to 4.87. lakh tonnes cane and 38,290 tonnes sugar at a recovery of 7.86 per cent in 1972-73. The special season scheduled to crush 50,000 tonnes during September, 1974 did materialise due initially to non-supply of cane by ryots which necessitated a short lay-off. Although the lay-off was lifted within a week, there was a strike by staff and labour, as a consequence of which the crushing commenced only on the 24th November, 1974.

The statutory minimum cane price fixed by the the Government of India for 1973-74 was 80.90 per tonne but our factory paid initially Rs 90 per tonne. Acting upon the advice of the Tamil Nadu Government we paid a final additional price calculated at 25 per cent over the statutory price making a total of Rs 101.12 per tonne.

For the year 1974-75, the basic minimum cane price has been increased from Rs 80 to 85 per tonne linked to a recovery of 8.5 per cent with a premium of Re. 1 per tonne for every 0.1 per cent increas[e] in recovery over 8.5 per cen[t]. The statutory price fixed fo[r] Nellikuppam factory is Rs 88 per tonne. In addition the Central Government issue[d] an Order in September 197[4] called the Sugarcane (Control) Amendment Order, 1974 b[y] which factories have to shar[e] with growers equally the ex[-]cess amount realised on th[e] sale of free market sugar ove[r] the levy price in respect o[f] cane purchased from 1st Oc[-]tober, 1974.

The Central Governmen[t] continued for the year 1973-7[4] the policy of partial contro[l] of sugar, 7 per cent of th[e] production being taken ove[r] at the levy price for distribu[-]tion through fair price shop[s] and 30 per cent released fo[r] sale in the open market.

Notwithstanding the in[-]creases in costs all-round tha[t] had taken place during th[e] year and subsequently, th[e] Central Government decide[d] not to increase the levy pric[e] for sugar either in respect o[f] 1973-74 year or for the ensuin[g] year. The Government have however, changed the ratio o[f] levy sugar to free sugar from 70:30 to 65:35 for the 1974-75 season.

The increase in the rati[o] of free sugar can only parti[-]ally compensate for the extr[a] costs by way of increased can[e] price, purchase tax, interes[t] charges, etc. which warran[t] a substantial upward revisio[n] of the levy price. As a con[-]sequence of the non-revisio[n] of the levy price a large number of factories is likel[y] to incur heavy losses o[n] 1974-75 season's production.

Since there was no special season in September 197[4] crushing could start only i[n] the last week of Novembe[r] 1974 and we expect to crus[h] about 5.40 lakh tonnes durin[g] the season. The quality o[f] cane though better thi[s] year is likely to deteriorat[e] further and faster than usua[l] owing to the hot and drough[t] conditions and the fact tha[t] crushing may be prolonge[d] until July. The cane develop[-]ment work to which I mad[e] a reference last year is bein[g]

nued to the mutual advantage of the ryots and selves.

ur application for expansion from 2,750 tonnes 000 tonnes cane per day been favourably considered by the Government India and a Letter of nt has recently been received. A special technical mittee set up internally is ently engaged in studying various technical and r aspects.

it:

A major portion of production was taken up as atck and the volume of spirit lable for sale was there- small.

The rehabilitation of the illery was completed August 1974 and the I.M.F.L. Plant was also ly then.

With the re-introduction of hibition in Tamil Nadu as n 1st September, 1974 the tion has changed inasmuch nly manufacture of spirit ermitted and not the manuure and sale of I.M.F.L. duction of spirit in the new illation unit has to be sold State licensees and other or consumers in the State. ce this commodity will be plus as a result of re-indtrotion of prohibition in the te, avenues for export to er States are being constan- explored.

Spirit sales are expected to prove due to good demand side the State by alcoholed industries, and Tamil du Government are seized the need to maximise exter- sales.

CO_2 production and sales tinued to be satisfactory ine of competition that preed during the year under ort.

tilisers:

Despite general shortage in ilability of fertilisers, we a satisfactory year, thanks the monsoons having been ly satisfactory except in e potential marketing areas ly as corrected partiarly in Tamil Nadu ere, rainfall was neither quate nor timely in certain pockets affecting the cropping pattern. In the face of spiralling prices and the card system of control introduced by the State Government, our field staff marketed available material through proper planning and management at all levels. The tendency to take advantage of the scarcity of fertilisers was kept under check by our staff through close inspection and also press releases. We have consistently played our part in propagating the effective use of available inputs with a view to obtaining maximum agricultural production in a shortage situation. This entailed a considerable amount of farmars' education through our field staff. Emphasis was also laid on training of marketing staff in the proper promotion of usage in backward and unrepresented areas.

Close liaison is being maintained with Central and State Governments. We extended the fullest co-operation to both Central and State Governments in our marketing territory in their application of the Essential Commodities Act in respect of agricultural inputs.

The Company introduced a pilot insurance scheme on cotton in Tamil Nadu in collaboration with the State Bank of India and the General Insurance Corporation. By all standards this experiment, as we know it today, has proved highly successful and discussions are under way with the State Bank of India and the General Insurance Corporation for extending the area of operation, of this Scheme.

Special attention was paid to increasing productivity at our Superphosphate units in line with our policy to maximise production at our units and also answer to Government's general appeal to manufacturers to maximise prodcution of fertilisers and other agricultural inputs. Our efforts have yielded results and continued attention is being paid to further improve processing efficiency.

Though our Principals could not supply the anticipated quantities owing to factors beyond their control, whatever was made available was marketed to the fullest extent in a rational manner, earning in the process abundant good will from our own dealer organisation and cultivators in general. Our relations with our Principals continued to remain excellent and we are beholden to them for their help and support.

Sale of our traditional fertiliser mixtures was maintained and but for the shortage of ingredients, especially Nitrogen, sales could have been higher.

There was acute scarcity of technical grades of pesticides both from indigenous production and from imports. Global availability of pesticides became difficult, as has been the case with fertilisers especially after the oil crisis. The Central Government exercised greater control over import and distribution and, here again, available material was distributed equitably.

During the year we introduced the Parry power sprayer and reception has been good.

Our seeds of improved and hybrid varieties continued to enjoy customer preference. Production, however, suffered to some extent due to drought conditions in some of the seed producing areas. Restrictions imposed by State Governments on movement of paddy caused dislocation to timely supplies of seed paddy to growers. Through constant contact with officials, such dislocation was kept to a minimum. The third seed processing unit at Dharwar in Karnataka State is being commissioned and plans are being worked out to widen the range of seed varieties that can be made available to the growers as part of our package of services to the grower.

Animal Feeds produced by us enjoyed a brand reputation and the year recorded a substantial increase in sales over the previous year.

Production and sales of chemicals were maintained at a satisfactory level.

Ennore:

Production of Ammonium Phosphate showed an improvement over the previous year and would have been still better had it not been for power cuts which were imposed.

Ammonium Sulphate production was lower than that of the previous year and had, of necessity, to be restricted due to shortage of power. The price we obtain for this product which is a controlled item, is well below our cost and efforts to obtain an increase in price are continuing.

Ceramics;

Once again production and sales recorded a considerable improvement over the previous year and the overall results were rewarding.

Prices had to be increased to offset the increased manufacturing cost following upon the energy crisis and higher price of furnace oil etc.

Several prestigious orders were secured during the year under review and exports are also on the increase.

We have made an application to the Government of India to permit us to set up a new factory in Maharashtra for manufacture of 5,000 tonnes of sanitaryware and it is anticipated that a Letter of Intent will be received shortly.

Marine Exports, etc.

I made a reference last year to our endeavours in the field of marine exports in particular and to exports in general, in both of which we have made further progress. We have obtained a Licence from the Government of India to set up Marine Products Processing units and also for import of two trawlers from Italy. Orders have also been placed locally for two trawlers identical to the imported ones.

Although the international market for export of sea-foods is going through a period of uncertainty and depression, we were able to export substantial quantities during the year under review and are actively building up this side of our business by giving full time attention through a separate Division costituted for this purpose. General exports have started picking up particularly in the field of textiles

and leather garments and, here again, we foresee a higher volume of business being achieved as we go along. Further avenues for exporting Indian prodducts are being explored.

Merchanting Business:

All facets of our merchanting and trading activities showed progress and maintained their steady growth both in turnover and profits. New agency lines have been added wherever possible so that our distribution net-work that has been built up over thc years and utilised to the advantage of the community as a whole, is fully put to use. Pharmaceutical trading maintained its growth. We can also see our shipping activities growing. Turnover of engineering products reached higher levels. Insofar as consumer products are concerned, our distribution ner-work lent distinction to the products we handled by virtue of our distributing the products judiciously with a view to ensuring fair trade practices, Our relationship with all Principals continues to remain cordial.

Referencc is made in the Directors' Report to the fact that we will be giving up the selling agency for Britannia Biscuit Company Limited, with whom we have been associated from 1959, with effect from 1st April 1975. I would like to say that from the commencement of the agency both of us worked together and were able to bring about a substantial increase in turnover both in volume and value over the period of our association. This long association which I am sure was equally rewarding to the Principals, will cease shortly, and I would like to take this opportunity to wish them well in their future endeavours.

Outlook for 1974-75:

For reasons already stated in my statement last year, it is extremely difficult to make any prediction as to what the current year holds for us and what the results are likely to be. Uncertainty governing prices of raw materials and supplies continues. Apart from this, the drought in Tamil Nadu and the restricted power supply available are inhibiting factors. All that I can say now is that in view of several restraints and adverse factors and more particularly because of the poor results anticipated from the sugar operations, it will be difficult for the Group to repeat the performance of the year under review but no efforts are being spared to maintain our profitability at the highest level possible under the circumstances.

Conversion to an Indian Company:

I had dealt at length last year about the status of our Company and the steps being taken to convert it to an Indian Company. As a first step an application under the Monopolies and Restrictive Trade Practices Act, 1969, was made in July last year seeking Government's approval to convert our Company into an Indian Company through a scheme of amalgamation, details of which were briefly mentioned by me last year.

Our officials are very closely and actively following this up at Delhi and it is hoped that in the very near future we will receive Government's approval to our application under the M.R.T.P. Act, which will enable us to take the subsequent steps including the filing of applications in the Courts in India and U.K.

In the meanwhile, in accordance with the Foreign Exchange Regulation Act, 1973, the required applications have been submitted to the Government of India for sanction to continue our activities etc. In view of the active steps we have taken and are taking to convert our Company into an Indian Company we earnestly hope that they will take a liberal view and agree to our being dealt with as an Indian Company insofar as the various sanctions and approvals we have to obtain from them are concerned. I would reiterate that it is only technieally that we are a foreign company by virtue of our being incorporated in the U.K. and the non-residential holding in this Company is only 18/19 per cent which is well below the limit of 40 per cent stipulated in the Foreign Exchange Regulation Act, 1973.

Development:

I had stated last year that in pursuance of the policy to enlarge the manufacturing base of our operations we had applied to the Government of India for diversifying production at our Ennore Factory to manufacture Methanol, STPP, etc., and for putting up a ceramics factory in a developing area in Maharashtra and we expect to receive Government's approval in the near future. Apart from this, two marine processing and storage units have been set up, reference to which I have made earlier. We also expect a second unit for the manufacture of Animal Feeds to be established shortly in Andhra Pradesh. We are examining a number of other projects so that over a period of time we will be able to diversify into various approved fields so that the resilience of this Group may be further strengthened and profitability improved.

Labour Relations:

Considering the broad spectrum of Trade Unions in the Group with their differing ideologies and the magnitude and complex nature of issues raised from time to time, it must be considered that industrial relations in general, have been satisfactorily maintained.

On the question of Group bonus for 1972-73. there was a short strike at the Head Office followed by a lockout. At the timely intervention of State Government the issue was settled amicably. As matters stand, the Bonus Review Committee has submitted its Report to the Government and we expect the Government to give its decisions on these recommendations shortly.

The Sugar Industry in the State had to face serious labour trouble on the wage question despite the announcement of a formula by the Government of Tamil Nadu giving the unskilled worker Rs 25 generally over the other States. As regards our factory at Nellikuppam a bi-partite settlement w reached on the wage questi to be effective for a peri of three years upto 31st D cember, 1977. Nigotiatio are still under way in respe of the wage question cove ing Non-Covenanted St both at Nellikuppam a Ranipet.

We in the E.I.D.-Par Group take pride in the fa that in the field of Worke Education, the Group's pe formance has been held hi in esteem to have deserv the State Merit Award f the last two years continuous

In due course, the indu rial relations system in t country is bound to under major changes when the Go ernment introduces the N Industrial Relations Bill a it is hoped that the new s tem will augur well f good industrial relations a industrial peace.

I have every belief th the employees will identi themselves with the long-te interests of our Group wh is to their ultimate bene and strive hard to put fo their best efforts for t prosperity of the Group. would like to take this opp tunity to express the Boar appreciation of the work do by the Management Staff all levels.

Changes in the Board:

I have pleasure in welc ming Mr V. Manoharan w joined the Board with eff from 15th April, 1974 a Mr J. K. Clubwala, hithe a Special Director of Company, who has been pointed Deputy Manag Director with effect fr 12th February, 1975.

Mr A. D. Vickers w has been a Director of t Company from 1968 has signed from the Board w effect from 25th Janua for personal reasons. I wo like to take this opportu to convey on your behalf, deep appreciation of counsel and guidance o the years.

N.B. This does not purpor be a report of the p ceedings of the Gen Meeting.

leed to Strengthen Capital Funds of ommercial Banks

redit Plans being formulated for all Lead Districts

Speaking at the Twentieth Annual General Meeting he shareholders held in Bombay on Monday, 31st rch 1975, Chairman, Shri R. K. Talwar, dwelt on the d to strengthen the capital funds of banks. This could done by augmenting the reserve or the equity base. ether the equity capital was provided by the Governnt or by the public, including bank employees, Shri war said it would have to be serviced. Fer this purpose tained efforts would be required to generate internal pluses,

"The dilemma is to strike a balance between surplus a massively development-oriented banking policy in tuation in which national considerations seem to dend both", Shri Talwar said.

Shri Talwar said, State Bank had an ambitious promme of formulatihg credit plans for all its lead dists. It would, however, be necessary for State Governnts to revitalise the cooperative societies in these tricts to implement bankable credit schemes. State Bank s prepared to help in the task of revitalisation of the ak cooperative societies.

i Talwar said:

t gives me great pleasure to come you to the Twentieth nual General Meeting of the te Bank of India. The An-l Report, including the ance Sheet as on the 31st ember, 1974 and the Profit Loss Account for 1974, lready in your hands. Both ome and expenditure for year were higher by about % over that of the previous r. In keeping with the trend he last three or four years, e would have been higher 20 per cent or so in any case. rest must, however, be ibuted to the higher inte-rates on both deposits and anccs that prevailed parti-rly in the latter half of the r. Wage costs also increas-by 28 per cent over those of previous year as a result he steep increase in dearness allowance. Still we ended the year with a better profit.

In line with the provisions of the Companies (Temporary Restrictions on Dividends) Act, 1974, the dividend for the year has been pruned to Rs. 12 per share. The Finance Minister has now announced his intention to modify this Act. I may assure shareholders that such relief as is permissible will in due course be considered by your Board.

You would have observed some changes in the Profit Loss Appropriation Account. The transfer to Pension Funds has been treated as a direct charge on revenue rather than as an appropriation from profits, the reason being that the amounts payable to these funds are not related to the quantum of profits. This also applies to expenditure on Staff Welfare, which covers amenities provided to employees such as canteen and recreational facilities and sports activities. These benefits have now become an integral part of the working conditions and the connected expenditure, again, is not dependent on profits.

Capital Funds

A special feature of the Balance Sheet for 1974 is the substantial addition made to our published reserves. Apart from a higher allocation from current profits, a sum of Rs 20 crores has been brought into the accounts from past accumulation of undisclosed reserves. I will explain to you the logic behind this transfer.

Capital funds of banks, meaning their equity and reserve, serve the same purpose as in any other industrial unit, namely of reassuring the public that the bank is in a position to withstand normal strains. The adequacy of banks' capital funds has been debated for a long time and currently, when the international banking system has had to witness some failures stemming from inability of some units to cover the losses on foreign exchange deals in volatile markets, and has had to absorb large inflows of oil monies, this matter has assumed great topical importance.

In our country, the Reserve Bank held the view in the early sixties that capital funds should constitute six per cent of the deposit liabilities of commercial banks. A rapid increase in deposits without a corresponding improvement in the capital base considerably eroded this percentage in most of the major banks. In the State Bank of India, for example, this percentage came down from around six in 1955 to a little over one in 1973 on the basis of published accounts; with the transfer now made, the percentage at the end of 1974 stands at 1.6. For the Indian public sector banks as a whole, the published accounts disclose a captial funds ratio of 1.26 per cent at the end of 1973, and even if all the past accumulations in secret reserves were to be disclosed, the ratio would, to the best of my knowledge and belief, still be much less than six.

At the present point in the growth of Indian banking, the question of capital adequacy has assumed importance for three reasons. First, the investment in fixed assets to equip the large number of new branches has to be funded from owned resources. Second, the increase in risk assets as a result of the progressively expanding span of developmental activities now undertaken has to be well covered. I do not think I am letting out a secret when I say that the large increase in lendings to the weaker sections of the society has brought in its wake a corresponding increase in the incidence of bad debts as well. This is a developmental cost no doubt, but if it is not absorbed by an individual bank within the totality of its own operations, the consequences could be grave.

A third factor that necessitates a review of our capital structure is its effect on our international operations. When dealing with foreign banks as a borrower, our balance sheet comes under close scrutiny. The imbalance between our capital and assets is hard to explain notwithstanding the phenomenon of undivdisclosed reserves or the fact that we have the full backing of our Government. The foreign banker, as we do in respect of his guarantees, looks at the transaction as a credit commitment on our part with its inherent risk element and makes his own assessment of our ability to cover any eventuality. The

entire problem of capital funds thus assumes urgency.

In talking of capital funds, reserves and measures to augment them is one aspect. The second is the component of equity. Public participation in the equity capital of banks is decidedly one way in which these funds can be increased. Such participation will in no way hamper or adversely affect Government control over our business policies and operations so long as Government retain the majority shareholding, and I say this from our experience of mixed ownership in the State Bank of India and in some of our Subsidiary Banks over the last few years. In this context, I have particularly in mind the large number of employees on our rolls. If they could be induced tc participate in the equity of banking institutions, and I believe the amounts they could contribute would not be insubstantial, particularly over a period of years, it would also help generate a greater sense of involvement in the well-being of their banks. I am also conscious of the fact that such equity will need to be serviced for, after all, the shareholders, be they Government or member of the public, must get a reasonable return on their investment.

I would sum up the issue in these words. Capital funds of banks need to be strengthened, and however it is done, there is a clear implication that sustained efforts are required to generate internal surpluses, disclosed or otherwise. The dilemma is to strike a balance between surpluses and a massively development-oriented banking policy in a situation in which national considerations seem to demand both.

Deposits with Non-Banking Companies

There has been considerable discussion on the question of allowing non-banking companies to accept deposits from the public. Some of the companies taking such deposits are sound while some others may not be equally so. The possibility of some weak companies drawing funds in this manner, in the hope of windfall gains in an inflationary environment, cannot be ruled out. This is a factor which obviously concerns the Government and the Reserve Bank. While the present quantum of public deposits with non-banking companies is not readily known, these could be sizeable, judged by the rush of advertisements. This is a situation to which bankers cannot be indifferent. The drive to attract these deposits is probably the result of the regulated credit policy and the high cost of bank credit. Many of the companies now borrowing from the public are also customers of banks. The projections of financial plans of the borrowing companies, which form the basis for settlement of credit limits, should include an idea of the amounts of public deposits which the companies intend to take. The periodical cash flow statements submitted to the lending bank should properly reflect the inflow of public deposits, and if this is larger than originally envisaged, a corresponding reduction in the company's credit limits would be justified and necessary in order to subserve the objectives of monetary policy.

A further development in this regard is the entry of certain Government-owned public utilities into this field. These institutions stand on a different footing from other companies. One of them has recently adveritised and offered interest rates higher than what banks can pay. This does seem to violate the discipline on interest rates. I hope this aspect will not escape the attention of the monetary authorities before the trickle assumes larger proportions.

Credit Policy

Credit operations of the banking system appear to have been in line with the expectations of the monetary authorities. Talking of your Bank, this has been possible because of the longer timespan of a full year for which the policy parameters were indicated. As early as April 1974, the Reserve Bank laid down the quantum of desirable credit expansion in terms of a percentage of the deposit resources build-up to be used for lending over the ensuing slack and busy seasons. It was also stated that banks should aim at not exceeding a a credit-deposit ratio of 71% by the end of April 1975. The timing of these guidelines was of considerable help in framing our business budgets covering the period upto April 1975. While better indication of the resources side thus became available, we in turn had kept up a continuous dialogue with our operating executives to assess the demand likely to arise and the benefit that could be achieved between supply and demand. The Reserve Bank of India's busy season guidelines in November 1974 were helpful for sectoral allocation of credit. To this we added our own assessment of the likely trends in the economy to project the picture beyond the current busy season. All these exercises were incorporated into our annual business plan for 1975.

The assessment of the credit needs of individual applicants was further helped by the guidelines prescribed by the Reserve Bank of India, following the recommendations of the Study Group appointed to examine the broad issue of appraisal, supervision and follow-up of bank credit. What I hope will emerge with the continuous refinement of such measures, coupled with the introduction of regular business planning within the units of the banking system, is a total credit plan, albeit for the short term of one year. We have yet a long way to go to fulfil the need for a credit plan which will operate in conjunction with our five year national investment plans.

Regional Deployment of Credit

An issue which has assumed considerable significance in the last two or three years is the regional deployment of bank credit. The criticism is that banks are oblivious to the disparity in the credit-deposit ratios in various regions. our part, the matter is given the attention it des Apart from the sectoral rences in credit deployme dicated in the Reserve B policy, a clear direction been built into our a business plans that in w ever State the credit-de ratio is less than 60% — of every Rs. 100 of dep roughly Rs. 60 can be len — the endeavour should reach this figure as earl possible. As a further mea of our earnestness, emp is laid in our investment rations to provide greater port to Government loans bond issues of public bodi the credit deficit States.

I have said this at se forums and would reiterate the main problem in this ter is the lack of credit abs tion capacity in certain a Credit flows have to be ceeded by the identifica of bankable schemes wh when supported by bank lo result in the creation of ductive enterprises — be i farming, industry or serv I will elaborate on what I in mind when talking of b able schemes deserving of support in the important of agriculture.

Agricultural Financing

In our strategy of inten loaning for agriculture the Agricultural Developn Branches specially set up the purpose, the basis of op tions is the formulation o tegrated schemes. Integra in this context implies all vities connected with agri ture, whether short-term long-term, technical exten services, storage and mar ing of output, and subsid occupations like dairy, pou or piggery, the totality of t ensuring economic self-s ciency for the farmers invol over a span of 5, 7 or 10 ye These schemes are confine specific areas, either a si village or a group of cont ous villages similar in n and physiographic chara ristics. Formulation of s schemes does not imply

bank undertakes direct ponsibility for supply of necessary inputs, exten- n services or marketing angements. In actual prac- e, what the Bank does is to vey the area for develop- nt potential in the form of ural resources and people's ge to improve their lot, the rastructure available or ely to become available in foreseeable future, and the stence of agencies capable of dering the services needed implementing an action ogramme. An attempt is de to enmesh together all se factors, of course in con- tation with a cross-section the would-be beneficiaries d all the agencies whose ser- es are critical for the action ogramme. Coordination ar- ngements at various levels d at different stages are built o the blue-print drawn up. us a scheme is born.

Let any of the factors — na- ral resources, human motiva- n, physical infrastructure e communication and power organisational base — be sent and there cannot be a oper scheme. When I talk viable, bankable schemes, have all these in mind, and is the gaps in this assortment factors that obstruct credit ws. In drawing up develop- ent schemes the Bank, hope- lly, acts as the catalyst and ere is no dearth of instances benefits accruing when a well nceived scheme is properly plemented.

I had occasion to refer at this rum last year to the organisa- onal constraints of commer- l banks in implementing agri- ltural credit schemes. A re- nt in-depth study of one of e districts in a developing ate, which we undertook in e context of our responsibility the 'lead bank' for that dist- ct, is a case in point. A set bankable schemes covering griculture, industry and other rvices, spread over a time- an of about five years for plementation, were indenti- d in consultation with the ncerned local agencies. he plan that emerged was edominantly agricultural, as is the economy of the district. We first determined that mone- tary resources in the shape of loanable funds required for im- plementation of the plan, when pooled, would not pose difficul- ties. We also ascertained from the relevant agencies that physi- cal inputs like fertilisers, pesti- cides and farm machinery needed would be available.

The next issue was the cover- age of the commercial banks in the district for handling the planned loaning activity. We reviewed our existing organi- sational base and the possibili- ties of extending it. A similar analysis was elicited from the other commercial banks. The conclusion was that the com- mercial banks, even with more than a little stretching of their capacities, could, organisa- tionally, manage not more than 20% of the total loaning. It was necessary, therefore, to id- entify the other credit agencies to manage the remaining ma- jor portion. In this search for other agencies attention nat- urally became focused on the cooperative institutions.

Although the District Co- operative Central Bank was one that the Government had considered as strong, our preli- minary study of the coverage of primary societies, the loan- ing they had done in the past and their current working re- vealed that the structure as a whole would not be able to cope with the demands that would be placed on it. We pleaded that the State Govern- ment should initiate a compre- hensive effort to stregnthen the structure. Such an organisa- tional exercise would call for sincere and dedicated efforts on the part not only of the State authorities, but also of the local leadership. We ac- knowledged that we, as the lead bank, along with the other com- mercial banks, could not dis- own the responsibility of shar- ing in this effort.

We suggested that a close look at the cooperative credit system was necessary to identify the areas in which the system was inadequate and weak and needed revitalisation. We also said that, were the Government to agree to the commercial banks participating in the pro- cess of revitalisation and de- velopment of the weak co- operative societies, we would deem it a privilege to do so in the hope and belief that the results would be rewarding. What we had in mind was that these societies should be link- ed with commercial bank branches for credit flow, tech- nical support, as also for super- visory control. More specifi- cally, the Manager of every society would have to be ap- pointed with the approval of the commercial bank concern- ed, and be fully accountable to it; we would have representa- tion on the management com- mittee; every cultivator in the village would have to be enroll- ed as a member of the society, and no institution would pro- vide credit to any cultivator except through that so- ciety.

I strongly believe that, if this is done, and no other in- fluences are allowed to inter- fere, it would be possible over a period to draw all cultivators into the society's fold; the cre- dit flow will correspond to the credit plan to be evolved for each village in consultation with technical experts. The plan will have to be such that every so- ciety grows within a short period of time into a multi- purpose society to take care of the needs of not only produc- tion, marketing and invest- ment for agricultural and ani- mal-husbandry activites, but also for village industries and crafts. If the response of the Government was not negative, it was not enthusiastic either. Some efforts have no doubt been made to persuade co- operative societies in two de- velopment blocks out of over thirty in the first instance to accept what I could call a bare linkage with the nearest com- mercial bank, but the time taken for even this to happen is inordinately long. At the same time the Government is displaying great anxiety to see the credit plan progress, which is understandable, but the solution, I submit, does not lie in exerting pressure on the com- mercial banks to open more offices than they really can, a leave the cooperative structu by and large alone.

The reason why the comme cial banks limit their commi ment to extend their organis tional base is a matter simple economics. The struc ure of wages in banking an other costs add up to a sizeab investment in a branch. What means is that purveying cred for agricultural developmer through the medium of com mercial banks alone is a costl proposition, not merely for th banks but ultimately for th agriculturists and for the natio as a whole.

We have an ambitious pro gramme of formulating such credit plans in all our lead dist ricts. This work entails th investment of large financia and human resources. The pro blem of adequacy of the com mercial banking organisation to handle the volume of credi flows that would emerge from such plans is likely to recur in the other areas as well. I the kind of offer of sincere help I have outlined earlier is avail- ed of by the concerned State Governments, the commercial banks will be inspired to move ahead with their programme of evolving credit plans and im- plementing them.

Small Scale Industries

We recently conducted a study of some of the small scale industrial units financed by the Bank to pinpoint the factors for some turning out all together disappointing results setting at naught all earlier projections. Leaving aside wrong choice of product or location, dissen- sions among partners or wilful cheating and dishonesty, two important factors emerged: one, lack of a fair equity base, and two, absence of management capability. As for equity, the majority of new entrepreneurs come from families of profes- sionals or service executives, and have little of their own funds to invest. The small size of these units precludes access to the usual sources of invest- ment finanace. The first ill

wind, therefore, seems to loosen the very roots. Even in the case of enterprises categorised as medium scale, the R.S. Bhatt Committee has recommended the establishment of a fund to provide equity capital. This recommendation, among others, has been accepted in principle by the Central Government. Very recently, the Industrial Finance Corporation of India has set up a Risk Capital Foundation, designed to serve the same objective. The need for providing equity support, I believe, is even greater for small scale units. It is but proper that the initiative in this regard should be taken by the Central and State Governments as part of their efforts at establishing a sound base of entrepreneurship. We on our part are quite keen to make a beginning in this area and concrete proposals are being worked out.

Coming to management capabilities, it is a tougher proposition. Most of the units in the engineering, chemical or other industries with technological bias are promoted by engineers or technicians with the relevant qualifications. Armed with feasibility reports they approach the Bank for finance, but they have little experience in managing men, money and markets. This weakness gets exposed quite some time after the unit has got going when, instead of thriving, it trips badly and begins a pathetic struggle for survival. To avoid such a situation, we propose to revamp our appraisal procedures so as to better screen loan applicants and proposals, and to institute modfications in methods of follow-up and supervision. If, however, we were to reject applicants merely on the ground of inadequacy of managerial ability of the required degree, not many will qualify for bank finance. Subserving the objective of assisting the growth of small industries, however, demands our helping the entrepreneur in acquiring the needed capability. One way would be to arrange with appropriate institutions to provide management educational courses for the entrepreneurs, the bank perhaps meeting a part of the cost. A more mean ingful effort, could be for the bank to provide consultancy help, so that the entrepreneur institutes proper management practices in his unit. This will mean recruiting expert staff. Experts, however, generally turn away from joining an institution whose main business is not management consultancy. Still, we are endeavouring to build some expertise in this field among our own staff at least to identify the kind of help units need and collaborate with outside specialists in establishing them on sound lines.

International Banking

In 1974 we opened a branch office at Southall in London and upgraded the Representative Office in Frankfurt. In the current year we propose to open new branch offices in Dacca, Chicago and Golders Green, London. Our New York Branch office will soon receive the support of an offshore branch in Nassau, Bahamas. A notable development in relation to overseas expansion is that the Banking Department of the Union Finance Ministry and the Reserve Bank of India have advised public sector banks to plan their developmental efforts in a coordinated manner and select agreed locations. Accordingly, the Bank has completed surveys of the locations allotted to it. Once decisions are taken regarding priorities and the type of office to be established, work on other formalities will be initiated.

Our overseas branches in London, Frankfurt, New York, Colombo and Male are making good progress. The Representative Office in Beirut is also active in its area. In the Far East, we await permission to open a Representative Office in Manila, Philippines. The significance of our work in the international field should be viewed not merely in the context of the routine export-import trade, but of the complex other functions we are called upon to perform, such as raising foreign currency loans and meeting the needs of bilateral trade agreements.

Staff Recruitment

As a sequel to the large-scale expansion programme, and also to meet the growing volume of operations, an area which demanded our considerable attention over the last few years was the recruitment of vast numbers into the clerical and officer cadres. We have been constantly reviewing and reshaping our policies and procedures to ensure selection of appropriate people, render the selection process objective and also minimise the administrative costs involved. In this task we have drawn upon the expertise built up in the National Institute of Bank Management (NIBM), and the results have been encouraging. I believe that the research done by the NIBM in the field of personnel selection and testing has found useful application in other units of the banking system as well. Government now proposes to set up an autonomous statutory body, the Banking Service Commission, initially to recruit officers in the public sector banks, and in the due course, other staff. The new institution will, no doubt, evolve appropriate procedures and methods for the mammoth task allotted to it. In doing so, I trust, it will not hesitate to use the expertise and methods developed by the NIBM and the experience that banks have gained.

Staff Relations

It is customary to speak of the harmony in staff relations. Both unions and management in the Bank have been expending a lot of effort to achieve harmony and industrial peace. These are necessary for stablising the culture of joint consultation and bipartite negotiations for settlement of wage matters, improvement in service conditions and amenities for work. Such harmony cannot, however, be a goal in itself. Cordialu nion-management relations must work for securing larger goals of the organisation, like customer satisfaction and producti[...] In our relationship, we seem to have reached a plateau and together we have to start a f[...] climb which will reach us [to] these higher goals.

We in the management h[ave] initiated certain measures s[uch] as job enrichment, rationa[lisa]tion of the staffing pattern changes in systems and pr[oce]dures, all aimed at toning [up] efficiency. Employee un[ions] should appreciate that wh[at is] sought to be done is not[hing] but discharging the man[age]ment's responsibilities. J[oint] consultation there has been, there will be in future too, to say that all such actions [are] conditional on unions' ap[pro]val would be asking management to abdicate responsibility. I am sure our unions which have played mature and respons[ible] behaviour in dealing [with] the institution's problems i[n the] past, will collaborate in en[sur]ing constructive progress [in] matters now pending.

Changes in the Board

It is with deep regret we have to record the deat[h in] April 1974 of Shri N.N. Si[...] member of our Patna L[ocal] Board and in January [...] of Dr. Baljit Singh, Presiden[t of] our Kanpur Local Board Director on our Central Bo[ard.] We miss their mature contr[ibu]tion to our deliberations.

Shri M.M. Suri was ele[cted] at the last Annual Gen[eral] Meeting as Director of Central Board represen[ting] shareholders. We are ha[ppy] to have his association.

There have been addit[ions] to our Calcutta, Bombay, K[an]pur, Ahmedabad and P[atna] Local Boards and I welc[ome] those who have newly jo[ined] us. Smt. Vidya Stokes of New Delhi Local Board, S.K.R. Bhandari of the Ka[...] Local Board, and Sw[ami] Yuktananda of the Patna L[ocal] Board reliquished office du[ring] the year. I thank them for t[heir] able guidance and direc[tion] during their tenure on the [res]pective Boards.

RECORDS AND STATISTICS

S Trade Act eeks GATT hanges

: signing of the US Trade on January 3, 1975 had stantial internal implicas. Its enactment was a essary step in the multilatetrade negotiations launchformally in Tokyo in 1973 a follow-up to the Kennedy und of Tariff Reductions of 1960s. Actual negotiations hin the General Agreement Tariffs and Trade (GATT) rted in Geneva on February 1975.

gislative Control

The United States is pers the only major trading ion where tariff schedules part of national legislation, changes in them require slative approval. The US ministration must seek Consional authorization bee making tariff reduction ers to other countries. In st countries, tariffs can be d up to a certain level withadditional legislative ac1. Thus, the "prenegotia1" that have been going on e 1973 in the Trade Negoions Committee of the TT established by the Tokyo claration have moved slowly le other countries waited the necessary legislation ive the US administration hority to negotiate. The nbers of the European nomic Community (EEC) awaited the adoption of the US legislation before formulating their common position.

Under Title 1 of the Act, President is authorized during a five-year period to enter into trade agreements for modifying tariff rates and liberalizing other barriers to trade. His authority extends to both reducing and increasing existing rates. Tariff-cutting, however, is limited. Duties higher than five per cent ad valorem can be reduced only up to 60 per cent, while duties of five per cent ad valorem or less can be eliminated. When the reduction exceeds 10 per cent, it takes effect over a period up to 10 years at an annual rate no more than one tenth of the total reduction, or three per cent ad valorem, whichever is greater. Duty raising is limited to no more than 50 per cent of the column 2 rates as of January 1, 1975, or 20 per cent above the current ad valorem (the most-favoured-nation (MFN) rates, whichever is higher.

Price System

The Act also authorizes the President to conduct trade agreements to harmonize, reduce, eliminate, limit, or prohibit non-tariff barriers and distortions adversely affecting international trade in goods and services. Subsidies and the American Selling Price System (used for US customs valuation of certain chemical products) are specifically mentioned. Both manufactured and agricultural products are to be included in the negotiations dealing with nontraiff barriers to trade, with the sector approach being an objective for dealing with both tariff and non-tariff barriers.

The Act stipulates that before trade agreements covering non-tariff barriers become effective in the United States the President must notify Congress of his intention to enter into negotiations at least 90 days in advance and advises on how much the agreements would benefit the US economy and how they would be made effective. Fair and equitable access at reasonable prices to supplies of products that are scarce or not produced in the United States is also mentioned as a primary objective in nontariff barrier negotiations, and the President is expressly authorized to make concessions in return for assurances of access to such supplies.

GATT Revisions

The Act lists revisions in the GATT considered necessary to promote the development of an open, non-discriminatory, and fair world economic system. These revisions involve decision-making procedures; safeguard procedures; extension of the GATT to cover trade conditions not now covered; adoption of international fair labour standards and of public petition and confrontation procedures; treatment of border adjustments for internal indirect taxes; changes in balance of payments provisions to recognize import surcharges as the preferred method of import restraints; improvement of provisions relating to export controls, access to supplies, and consultative procedures on supply shortages; inclusion of multilateral procedures on supply access; establishment of procedures for regular consultations on international trade and for adjudication of commercial disputes; elimination of special and reverse preferences; international regulation of the use of subsidies; and international agreements on articles, including mechanisms for the settlement of disputes and surveillance bodies.

The Act gives the President authority to proclaim import measures for a period of up to 150 days for balance of payments purposes. Under certain circumstances he is required to impose import restrictions unless he informs Congress that they would be contrary to the national interest. For example, he must impose import restrictions: (1) to deal with large and serious US balance of payments deficits; (2) to prevent an imminent and significant depreciation of the dollar in foreign exchange markets; or (3) to cooperate with other countries in correcting an international balance of payments disequilibrium.

Under other conditions, he is authorized—rather than obligated—to take measures to increase imports: (1) to deal with large and persistent US balance of trade surpluses; or (2) to prevent significant appreciation of the dollar in foreign exchange markets,

Import Measures

Among the import measures the President may proclaim are an import surcharge of up to 15 per cent ad valorem or temporary import quotas (if permitted by international trade or monetary agreements), or both—but preference is given to the use of surcharges. These restrictions are normally to be applied without discrimination, but they may sometimes be applied to one or more countries having large or presistent balance of payments surpluses. Product coverage should be broad and uniform, unless restrictions on specific items are contrary to the needs of the US economy. Such needs include the lack of domestic supply at reasonable prices, the necessary import of raw materials, and the avoidance of serious dislocations in the supply of imported goods.

The needs specifically exclude the protection of individual domestic industries from import competition and the President is also explicitly barred from imposing an import surcharge under the authority used in August 1971.

Any quotas imposed should eprmit the import of a quantity or value not less than that imported from the particular country or countries in what the President decides is the most recent representative period.

Measures to expand exports consist of a temporary duty reduction of up to five per cent ad valorem and a temporary increase in values or volumes of goods that may be imported under any import restriction, or the temporary suspension of any import restrictions. As with any restrictions, product coverage is to be broad and uniform, unless liberalization will cause or contribute to material injury of a domestic industry or will be contrary to the national interest.

Permanent Authority

The President has permanent authority to negotiate trade concessions with countries adversely affected by US import relief measures imposed when a US industry is seriously injured, or threatened with injury, by increased imports. Such concessions are intended "to maintain the general level of reciprocal and mutually advantageous concessions"; and may Include tariff reductions up to 30 per cent.

All trade agreements entered into must authorize termination within no more than three years from the signing of the agreement. If the United States then withdraws, suspends, or modifies any obligation pursuant to this authority with respect to the trade of a foreign country, the President may apply a new duty, increase duties on imports or impose restrictions. The duty increases cannot exceed 50 per cent of the column 2 rates or 20 per cent of the MFN tariff rate on January 1, 1975—whichever is higher. When another country withdraws, suspends, or modifies the application of trade agreement obligations previously benefitting the United States, the President may reciprocate and impose import restrictions or increase duties with respect to the country unless adequate compensation has been granted.

The Act generally provides for reciprocal non-discriminatory treatment. If, after the conclusion of all negotiations, the President determines that some major industrial country has failed to make concessions for US exports substantially equivalent to those the United States has made for imports from that country, he is required to recommend legislation denying benefits to that country.

Duty Revision

The President must furnish to the US International Trade Commission—which succeeds the US Tariff Commission under the Act—lists of articles on which rates of duty may be reviewed. The Commission must then advise the President on the probable economic effects of proposed duty action after conducting necessary investigations, including public hearings. The President must also seek advice from other government agencies. Overall policy advice on any trade agreement is to be provided by an Advisory Committee for Trade Negotiations appointed by the President for a two-year period and chaired by the Special Representative for Trade Negotiations, with sectoral advisory committees as required. These committees will report and make recommendations on proposed trade agreements. The Act provides detailed terms of reference for the office of the Special Representative for Trade Negotiations, as well as the Congressional procedures for implementation and approval of trade agreements,

The US International Trade Commission is to cooperate with the Secretary of Commerce in a study of commodity classification system to be submitted to the President by August 1975, with the aim of achieving comparability of data on US imports, production, and exports and of modernizing tariff nomenclature under an international commodity code.

Title II of the Act provides for import relief and adjustment assistance for industries, firms, and workers injured by import competition. A petition for import relief may be submitted by a trade association, firm, union. or group of workers representative of an industry. Investigation must consider all relevant economic factors. If increased imports are attributable in part to dumping, the Commission may recommend anti-dumping action. If it finds that increased imports have been a substantial cause of serious injury or threat of injury to an industry, the President may then provide import relief intended to facilitate orderly adjustment to new competitive conditions. The President must report his finding and actions to Congress. Relief may include increased duties-tariff rate quotas, qnantitative restrictious on imports, orderly marketing agreements with foreign countries, or a combination of these. Duties may not be raised more than 50 per cent ad volorem above the existing rate, and quantitative restrictions or orderly marketing agreements may not lower imports below the level of the most recent representative period.

Phased Relief

While the duration of import relief may not exceed five years (with one possible three-year extension), to the extent feasible, relief must be phased down after three years. Relief measures must be kept under review and the President may terminate them at any time. No further investigation may be made of an article which has received import relief until two years have passed since relief was last provided.

Under the Act adjustment assistance may be granted on petition of an eligible group of workers to the Secretary of Labour if a significant nu[mber] of workers in a firm is b[een] separated, if sales or pro[duc]tion have declined, and if [in]creased imports of compet[itive] articles have contributed [im]portantly to those deve[lop]ments. Qualified wor[kers] may then receive assista[nce] including a variety of cou[nsel]ing, retraining, and reloca[tion] benefits, for periods of up [to] one year, with provision [for] an extension of six month[s for] retaining or for workers [ap]proaching retirement age.

Financial Assistance

In the case of firms, technical and financial adj[ust]ment assistance may also [be] provided to firms if, after [peti]tioning the Secretary of C[om]merce, the firm is certifie[d] eligible on the basis of a [sig]nificant separation of wor[kers,] declining sales or produc[tion] and a finding that incre[ased] imports of competitive art[icles] have contributed importa[ntly] to such declines. Up to 75 [per] cent of the cost of techn[ical] assistance may be furnis[hed;] financial assistence may b[e in] the form of loans or gua[ran]tees of loans for fixed or w[ork]ing capital.

The Act also introduc[es a] new concept, adjustment [as]sistance to communities ad[ver]sely affected by trade libe[rali]zation where unemployme[nt is] rising, or sales or produc[tion] are declining in respons[e to] rising imports of compet[itive] goods.

Title III deals with u[nfair] and illegal trade practices [ad]versely affecting US [com]merce. The title has four [chap]ters, as described below.

1. *Foreign Import Re[stric]tions and Export Subsidies* [The] President is given broad [auth]ority to take retaliatory [mea]sures against "unreason[able"] as well as "unjustifiable" [prac]tices of trade partners, su[ch as] prohibitive tariffs, impor[t res]trictions, discriminatory [poli]cies, export subsidies, "restrictions on access to

of food, raw materials, anufactured or semi- factured products." The ent must provide for the tation of views concern- uch practices of trade ers and actions that may ken in retaliation unless ational interest requires itious action.

ior to taking retaliatory ures against export dies, the President must e that: (1) the Secre- of the Treasury has l that such subsidies (2) the International e Commission has found he exports enjoying the dies reduce the sales of etitive US products: and he provisions embodied revious acts are "inade- e to deter such parctices."

lumping Provisions

. *Antidumping Activities*: e provisions amend and ate the Antidumping Act 921. Some amendments designed to improve the rcement of the 1921 Act for example, requiring the etary of the Treasury to luct more prompt investi- ons of alleged dumping tices. The investigation edure is simplified, and al hearing rights are gua- eed to interested parties. er amendments are intend- o update the 1921 Act's nitions of "puchase price" the "exporter's sales e," and so on. The "pur- se price" is defined as the . price, less export taxes, rebated import duties osed by the country of ortation, plus any taxes ated for exportation that ld have been levied if the duct had been sold in the ntry of exportation.

This new definition ends the Antidumping by providing that export es will be subtracted, ner than added, to the chase price. The purchase ce is used as a re- ence price in the determina- n of dumping practices by nparing it to the foreign rket value. The "exporter's sales price," which can be used in lieu of the purchase price, is adjusted by subtract- ing the value added to the merchandise after importa- tion into the United States.

In addition, the provisions of the Antidumping Act deal- ing with the determination of the foreign market value are amended to take into account three special cases in which the Anti dumping Act was inadequate: below cost sales, state-controlled economy dum- ping, and multinational cor- poration dumping In these theree cases, the Secretary of the Treasury is required to determine the fair value either by reference to a foreign mar- ket, outiide the country of ex- portation, where the sale price is not subject to distor- tions, or by adjusting the price in the country of exportation

for the difference between the costs of production in other countries and in that country.

Under the 1921 Act the foreign market value was measured by one or two alternative criteria, the primary criterion was the price at which such or similar merchandise was sold or offered for sale in the principal markets of the country from which it was exported. The second criterion covered situations where there were no home market sales, when the foreign value was determined on the basis of the price for similar merchandise in other countries.

3. *Countervailing Duties*: This amends some provisions of the 1930 Tariff Act, essentially to obligate the Secretary of the Treasury to enforce within strict time limits the provisions of countervailing duty law, and extends these provisions to include duty free merchandise (for which injury must now be found). The Secretary of the Treasury must report to the US Congress whenever he has determined that progress made or under way toward the elimination of barriers to internaitonal trade (or other distortions) warrant a suspension of countervailiag duties. Procedures are set forth to allow an Amerisan manufacturer to request the Secretary of the Treasury to reassess the value on which countervailing duties are levied.

Unfair Practices

4. *Unfair Import Practices*: The International Trade Commission is required to investigate "unfair methods of competition and unfair acts in the importation of articles into the United States or in their sale..." which may injure an industry operating in the United States or prevent the establishment of such an industry, or restrain or monopolize trade and commerce in the United States. The Commission is required to seek advice within the government and to conduct its investigation promptly. It may order the suspension of importations violating the provisions of the Act. Commission findings must be transmitted to to the Secretary of the Treasury and to the President. These provisions do not apply to imports effected by or for the US government.

Title IV allows the President to extend most-favored-nation (MFN) treatment, grant Export-Import Bank credits, provide guarantees for credit and investment, and conclude commercial agreements with a non-market economy country if that country does not restrict emigration or assures the President that its emigration practices will henceforth meet his approval. Before these benefits can be granted, the President must submit a report to Congress and must receive approval of both the House and the Senate.

Nonmarket Economies

Nonmarket economy countries receiving MFN treatment before the passage of the Act (Poland and Yugoslavia) will continue in that status. MFN treatment will be given and will remain in effect only as part of a bilateral commercial agreement. Such agreements will be limited to an initial period of three years and must allow for suspension for national security reasons, include safeguards against market disruption, and ensure the protection of trademarks, patent rights, and copyrights of US nationals.

MFN treatment extended to a foreign country within the framework of a bilateral commercial agreement will only be applied if the country is not in arrears in the repayment of its lend-lease obligations. If the exports from a commnnist country are suspected of causing market disruption, the International Trade Commission will make an investigation and recommend necessary action to the President. If the President finds grounds for believing such disruption exists, he may also initiate consultations with the country concerned.

Title IV also provides for a statistical monitoring system for US imports from non-market economies. A quarterly summary will be published, including data on the effect of such imports on domestic industry. An East-West Foreign Trade Board is also established to monitor such trade developments.

Settlement of Claims

Finally, Title IV provides for a renegotiation of the agreement of July 5, 1974 on the settlement of claims of US nationals against Czechoslovakia. Gold belonging to Czehoslovakia and controlled by the United States will not be returned until Congress has approved the renegotiated agreement.

Title V gives the President authority to extend duty free treatment to imports of eligible articles from beneficiary developing countries for a maximum of ten years. Specifically excluded from the list of potential beneficiary countries are developed countries listed in the Act, any communist country unless it is a member of the Fund and a contracting party to the GATT, members of the Organization of Petroleum Exporting Countries or countries party to any action which causes withholding of supplies of vital commodity sources from international trade or raising of prices of such commodities to an unreasonable level; and countries granting reverse preferences to developed countries other than the United States unless such preferences are to be eliminated before January 1, 1976. A country that has appropriated US property without adequate compensation loses its beneficiary status.

All manufactures and semi-manufactures are included, with the exception of textiles, shoes, watches, and some import-sensitive electronic, steel, and glass products. The list of eligible articles is published periodically.

Under the Act, th[e President] may withdraw, s[uspend] or limit the duty free [treat]ment of any article fr[om any] country, except that [...] of duty may be esta[blished] other than the MF[N rate] applicable to the art[icle]. In order to provide saf[eguards] for domestic industry [from] competition from p[...] imports, the Act prov[ides] a "competitive need" f[ormula] which limits imports fr[om im]portant beneficiary su[...]

Beneficiary status

If a country supplie[s more] than 50 per cent of th[e value] of total imports of an [eligible] article, or supplies [to the] United States a quanti[ty] valued at more th[an $25] million per year, that [country] shall than lose its ben[eficiary] status not latter than [...] after the close of the c[alendar] year, with respect [to such] an article unlass the [Presi]dent decides otherwi[se. An] automatic adjustment [of the] $25 million ceiling is [provi]ded by allowing it to [change] proportionately to ch[anges in] Gross National Pro[duct] compared with 1974 G[NP].

Among the provis[ions of] the Act are a requirem[ent that] the President submit a[n annual] report to Congress o[n inter]national drug control, [a sec]tion authorizing the P[resident] to initiate negotiation[s for a] trade agreement with [Canada] to establish a free tra[de area] covering the United [States] and Canada, and a li[mit] on total loans, guarant[ees and] insurance relating to [exports] to the Union of Sovie[t Socia]list Rapublics (apar[t from] operations of the Co[mmodity] Credit Corporation) [of $300] millon without pri[or con]gressional approval.

Courteso *Trade a[nd ...] ments Division, IMF, E[...] and Trade Relations [...] ment.*

ould Desai die ?

— **Editor**

I HAVE just come back after attending the inauguration, on the lawns of No. 5 Duplex Road, of Mr Morarji Desai's indefinite fast for an early poll in Gujarat. I have always had a sneaking respect for dhian type of fasting for a public cause and, to me, Mr Desai's fast belongs to egory. Years ago I came up against this question of fasting in a somewhat in- manner. Gandhiji's fast on the Rajkot situation was then some days old and, ry young then, I was inclined to be rather emotional about it. As it happened, Dr Paranjpe, who was sitting on the Federal Public Service Commission before had to appear for my *viva* after the written examination for the ICS, chose to on the merits of Gandhiji's fast. It started with a dialogue on its rationality there began a debate on its ethics. At that stage it occurred to me to declare ramatically that the many things Jesus Christ was supposed to have done might aningless or even wrong to some of us, but the fact remained that what he was to have said or done some two thousand years ago was still influencing millions lions of people down the centuries stretching into our own time, and then I or the benefit of the members of the Board that there were more things on earth ven, etc., etc.

hat effect this performance of mine had on the chairman of the Board, a British (was he some one called Crosthwaite?) and the then United Provinces chief y, I could only guess. But this I could do easily enough for, as soon as njpe had done with me, Mr Crosthwaite (?) moved into action. He asked me would do if I were posted to the North-West Frontier Province. I said that I rm the tribes who were supposed to be loyal to the government in New Delhi, so y could defend themselves against hostile tribesmen and thus relieve the British army of its impossible obligation of policing the region on its own. No wonder ot make it to the "class of 1938", a failure which I, however, do not regret since, Mr Govind Narain, I do not have to worry who the next cabinet secretary is to

ly object in recalling all this is that, in public affairs, there is always a place ues which cannot be computerized wholly in terms of *realpolitik*. It should bt be possible for the prime minister to let Mr Desai's fast take its course. She ertainly argue that she did not ask him to fast unto death, that she had in fact argue him out of it. But she would still be a fool if she were to adopt this atti- Since Mrs Gandhi is no fool, I am inclined to expect that a martyr's death will ied to Mr Morarji Desai.

ur country is already sick in body and ailing in mind and it would do no good body who has anything to do with the people of this land or its future to inflict re gratuitous wounds on the national psyche. I am aware that this considera- ould guide Mr Morarji Desai as much as it should the prime minister and her s. Nobody should lightly make himself or herself a party to force the country hrough the trauma of one of its oldest living Congressmen from the days of the n struggle dying in circumstances which must necessarily be tragic. But imme- responsible as Mr Desai will undoubtedly be for his end. if it were to come about manner, there can be no gainsaying the fact that the truly Himalayan responsi- n this case would be that of the prime minister and her political advisers.

Vhether intentionally or not, she has brought about a situation where normal utional processes are becoming more and more helpless in asserting the discip- f public opinion or the public interest on the style or substance of her way of ng what is for the good of the country. In these conditions it is becoming less and listic to argue that nothing can be allowed to work except within the conventional work of the formalized majority which the ruling party happens to be in poses-

eastern ECONOMIST

APRIL 11, 1975

sion of in the nation's legislatures. Take for instance the issue of an early poll in Gujarat which is the occasion for Mr Desai's fast. It is just not conceivable that a majority of members of parliament, the membership of which is being dominated by the ruling party, could be persuaded by any reasoning process to pass a resolution recommending to the prime minister the holding of this poll without further delay. The equations or realities of power within the party leadership will just not allow this to happen. It would therefore be doing only formal obeisance to the letter of parliamentary democracy if those who differ from the prime minister on this issue were to reconcile themselves to letting her have the last word for no better reason than that she seems to be in a position to have it.

All else apart, if history is to hold that Mrs Indira Gandhi has in any way been worthy of the great office that has come to her, she should surely accept the demand for an early poll in Gujarat as a challenge to her and her government to vindicate their claim that they continue to be in authentic enjoyment of the confidence and support of the electorate which had been vouchsafed to them under the quite different conditions of 1971 or 1972.

Indeed it seems to be even open to the prime minister to do a deal on this issue which could at once elevate the standards of our public life. Thus, in return for holding an early poll in Gujarat she could make Mr Jayaprakash Narayan agree to suspending for the duration his Bihar movement or projected campaigns in other states. Having done this she could get together all the political parties intending to participate in the Gujarat poll and work out a voluntary agreement for observing the highest norms of campaigning or other electoral conduct with regard to this poll.

For instance, the various political parties could bind themselves to select as their respective candidates the best men available to them, irrespective of caste or other extraneous considerations, campaign on issues of public interest rather than on unfair allegations relating to persons or personalities and strictly observe the decencies of public life and the legalities of the election law with regard to the collection of campaign funds or the incurring of election expenses. If a poll could be held in Gujarat as early as possible on these terms, it would certainly have a cleansing effect on the country's politics and prepare the ground in a wholesome manner for the gene election to follow. The prime minis more than any other politician in country, is in a position to make an o in these terms and try to redeem pub affairs from their Gadarene course.

Synthetics under stress

Some of the excise tax proposals in the central budget, or at least some aspects of some of these proposals may strike most of us, on second thoughts, as less innocuous than they seemed at first sight. *Eastern Economist*, in this issue, has taken up for detailed discussion the changes in the scheme and the rates of central excise duties on synthetic textile fibres and fabrics. It would be recalled that it was only in July last, in the supplementary budget for 1974-75, that the government had imposed substantial additional fiscal burden on the industry. Not only were the effective rates of duty raised at the yarn stage, but a new excise duty was also levied for the first time on caprolactum—the production of which had just begun in the country — at a high level of 50 per cent *ad valorem*. It was obvious at the time that the tax proposals in the supplementary budget were primarily motivated by the government's urgent need for additional revenue in the face of the yawning deficit in government finances.

The then Finance minister, Mr Chavan, however, chose to offer the additional explanation that it was proper to revise the effective rates of the specific duty at the yarn stage upwards in view of the fact that yarn prices had gone up. In using this argument he slurred over the fact that the increase in the case of nylon yarn was mainly due to the higher cost of caprolactum. In any case, his argument relating to rising yarn prices lost its validity very soon because, in the last quarter of last year, the industry nose-dived into a slump. This was due only in part to the general recessionary conditions in the economy or the particular difficulties felt by the textile sector. The fact was that the additional excise duties of the supplementary budget, combined with the high cost raw materials, had forced up the prices synthetic fibres and fabrics to a poi where consumer resistance had become decisive force in blocking production sales. The industry was consequen hoping to persuade the government extend some relief to it in the centr budget for 1975-76. The present Financ minister, however, has had other ideas.

A survey of the impact of the budget proposals on the synthetic textiles industry appears on pages i-xii of this issue.

In our detailed discussion of the impa of the budget proposals on the industr we have pointed out the oppressive d mensions of the additional tax burden pr posed in the budget. The 'rationalizatio part of the Finance minister's schem which turns on the shifting of the fabr duty to yarn stage, is largely notional b cause the fabric duty, even at a low effective rate, will continue to be paid o the bulk of production. The Financ minister, however, has made use of th 'rationalization' argument and also claim for additional revenue from this in dustry to put up the effective rates o duty at the yarn stage very sharply in deed. In addition, he has proposed new levy at a flat rate of Rs 20 per kg o texturized yarn and has also withdraw the exemption from duty granted t circular knitted fabrics.

The cumulative effect of all these im posts would be to render synthetic fab rics an exclusively rich man's textiles which they definitely are not at present This is doing a great disservice to middl class and lower middle class people wh are taking increasingly to the use of syn thetic fabrics and garments simply be cause of their utilitarian aspects, part cularly durability and ease and econom

e and maintenance. Since synthetic es have a strong consumer appeal arious and large sections of the com- ty, taxing local production out of reach of most buyers or potential rs would only put a premium on ggling which is already firmly entren- in the trade in synthetic textiles. It been estimated that the effect of the tional taxation would be to raise the gin of profit in smuggling beyond the ms of avarice. The worst of it is this would be done at the cost of em- ment in the decentralized weaving knitting sectors where thousands of ilies on the fringes of the urban eco- ny are earning their livelihood by ying on the craft, often in family ts and on a cottage industry basis.

lready the budget proposals have cast ir sombre shadow on the centres of s industry. Yarn is not being lifted m spinners and the trade in finished ods too is at a standstill. It is possible course that the industry would partially over at diminished levels of activity en if the Finance minister should prove be unreasonably rigid, but it is easy to agine that its future would only be one g night before an indefinitely defer- d dawn if, as is bound to be the case, lon *saris* are to cost the working wo- an half as much or more as they do w or nylon socks are to be forced to ll at something like double their current ices. The Finance minister, fortunate- , has not said anywhere in his budget eech that he desires that the excise duty this industry should act as sumptuary xation. This is a proper attitude be- use, as has been explained and empha- zed in our detailed discussion of this bject, synthetic textiles are not a luxury dustry in any sense of the term.

In the first place, the products of this dustry are finding a fast-growing mar- et among all sections of the people. econdly, it provides employment and velihood to a large extent to artisans onstituting the poorer sections of the rban community on a labour-intensive ottage industry basis. Finally it has een determined at the highest expert r policy-making levels in the Planning Commission that the synthetic textiles industry needs to step up investment and production at a fairly rapid rate in the coming years if the clothing requirements of the people are to be satisfied to a reasonable extent with the help of the total textile supplies that could be produced in our country. We would therefore urge the Finance minister to restore the *status quo ante* in the matter of the taxation of this industry, with this change that the duty on caprolactum is reduced to 25 per cent *ad valorem* as a measure of much-needed relief. This would be the simplest and the most positive way of cancelling out promptly the adverse impact which his budget proposals have already had on the outlook for this industry.

Mr Subramaniam need not fear any loss of revenue if he were to act in this manner. On the contrary, the best hope of the government for increased revenue from this source lies in the industry being enabled to carry out its adjustment to the additional tax burden imposed by the supplementary budget of last year. If this could be done, there are bright prospects of production not only recovering lost ground but also advancing further taking advantage of the increasing production of its raw materials, caprolactum and DMT, within the country. Even from a narrowly revenue approach, the exchequer is likely to be benefited more even in the present through a policy of fiscal restraint which avoids the risk of depressed production and consumption levels rather than through a get-rich-quick attitude of taxation which might be running these risks to a self-defeating extent.

An opportunity to be seized

THE CENTRAL government and planners have a valuable opportunity for maximising production of steel, non-ferrous metals, fertilizers, oil and coal in 1975-76 and effecting a substantial displacement of imports. At no stage in the recent past has it been possible to reckon on the availability of larger supplies of badly needed raw materials and finished goods from indigenous sources as it is now. With the prospect of a definite improvement in the power situation in almost all regions with the increase in generating capacity by nearly 3,000 MW and better efficiency of working of existing thermal stations, it should be easy to raise the output of cement, fertilizers, heavy chemicals and aluminium even with the existing capacity. If the target for raising coal production to 98 million tonnes from 88 million tonnes in 1974-75 is reached and power avaiability in Karnataka, Tamil Nadu, Orissa and Uttar Pradesh is not so inadequate as it is now, there can be an increase in the output of cement and aluminium alone by over 500,000 tonnes and 50,000 tonnes. respectively.

What is really striking about the Plan allocations for 1975-76 is the emphasis on completing continuing schemes in their final stage of construction and intensifying work on projects in the oil, coal, fertilizer, steel and non-ferrous metal sectors. It has been indicated in the Plan document that there can be an increase in the output of crude of the Oil and Natural Gas Commission by about 850,000 tonnes. The Barauni, Namrup expansion, Sindri rationalisation and Gorakhpur expansion schemes are expected to be completed in the coming months resulting in the creation of additional capacity of 356,000 tonnes of nitrogen (N) and 150,000 tonnes of phosphetic fertilizers (P_2O_5). Two large sized units in the joint sector at Tuticorin in Tamil Nadu and Mangalore in Karnataka will also be in operation shortly, while it is hoped that the Durgapur and Cochin units will acquit themselves more creditably. It has, therefore,b een assumed that there will be a rise in fertilizer output by 600,000 tonnes of nitrogen to 1.8 million tonnes. It should not be difficult to raise this figure to two million tonnes as many other existing units can make a larger contribution.

On the steel front the Bokaro plant will be raising its output by one million tonnes of ingots and the three units of Hindustan Steel Ltd by 500,000 tonnes. As many mini-steel plants have been newly commissioned and a number of existing units have not been using their

capacity fully due to power shortage. larger power generation should be helpful in raising the output of these units by 500,000 tonnes. It may not be therefore surprising if the aggregate production of steel ingots touched the nine million tonne mark in the next year. There are some encouraging developments in respect of non-ferrous metals. With the functioning of the Khetri copper smelter and the start up of the first potline of Bharat Aluminium at Korba in the next three months, it will not be difficult to increase the output of both these non-ferrous metals significantly.

The value of additional production of oil, fertilizers, steel and non-ferrous metals alone will be around Rs 1,000 crores and with the contribution that will be made by the existing aluminium units additionally, there can be a substantial displacement of imports. The government should learn from the serious mistake committed in the past year. In its anxiety to improve supplies of steel, fertilizers and non-ferrous metals, excessive purchases were made at exorbitant prices and the Steel Authority of India and the Minerals and Metals Trading Corporation are feeling embarrassed over the heavy accumulation of stocks of steel and non-ferrous metals, and the glut in steel is such that frantic efforts are being made to export sizeable quantities of billets and light structurals besides postponing deliveries against outstanding contracts for imports. The MMTC too is making efforts to stagger imports and increase sales out of stocks to industrial consumers within the country. As regards fertilizers, it has even been mentioned in the budget speech that the overall deficit for the current year has risen on account of a heavy bunching of imports of fertilizers and the need to maintain stocks worth Rs 290 crores. With a higher output indigeneously in the coming months and large stocks, it may be necessary to be more careful when effecting fresh imports.

The government does not seem to have taken any credit in its calculations when framing budget proposals for the possible savings that could accrue out of these favourable developments. With sugar also likely to earn Rs 450 crores through exports in 1975-76, the trade gap can certainly be limited to the net aid available from the Consortium and there should not be any attempt to use credits from the International Monetary Fund or other sources for financing imports. If only the outlay on imports of foodgrains can be minimised with more effective procurement operations and the achievement of a higher level of output, the management of foreign trade in 1975-76 may not be so difficult as it has been in the current year.

However, what are the prospects for fulfilling the financial targets of the fifth Plan and in what new direction should the finalisation of new schemes be attempted? The Planning Commission and government have obviously thought it desirable to utilise available resources for schemes in the core sector. This is why the highest priority has been accorded for the oil, fertiliser, power and coal sectors. The outlay on oil and petroleum projects will be Rs 368 crores and the budgetary support Rs 170 crores. Fertiliser schemes will claim Rs 290 crores and budgetary support will be Rs 276 crores. Coal and lignite have been allocated Rs 230 crore budgetary support being almost of t same dimension.

The steel industry has been accorde lower priority or immediate attention being paid only to the completion o the first stage of the Bokaro projec and the implementation of its expansio scheme to four million tonnes. On th other hand Bhilai's four million tonne project has been staggered and it wi now be completed only by 1981. Th three southern steel plants may not tak off the ground until the middle of th sixth Plan.

The non-ferrous metal units may, o course fare better as Bharat Aluminium's capacity of 100,000 tonnes of virgi metal may become available fully in the next 12 months, while the Khetri copper project should be compelled to make a better contribution. The expansion scheme of the Udaipur zinc smelter is under way. As regards fertilizer, many new schemes may take shape in 1976-78 and the Planning Commission may be only too anxious to allocate even larger resources for the exploration and exploitation of oil, further development of collieries and quick completion of

Eastern Economist 30 Years Ago

APRIL 13, 1945

In the inter-war period, the problem of access to raw materials came in the forefront on account of the claims of the three so-called "dissatisfied powers", —Germany, Japan and Italy. Their claims rested partly on psychological, partly on economic and partly on political grounds. Demand for colonial possessions was inextricably mixed with their claims. Lacking foreign exchange, shortage of which was aggravated by tariff barriers, these countries demanded an improvement in the trade policies, particularly in regard to the distribution of raw materials. These countries also wanted huge quantities of raw materials in order to accumulate strategic stocks for the preparation of war. Significantly, these three countries emerged as aggressive powers. Their defeat, which would end much of their industrial ambitions after the war, would remove a major problem of access to raw materials. Yet, the Atlanti Charter specifically referred to access to raw materials both by the victor and the vanquished. The Dumbarton Oaks proposals do not, however, envisage any change in the status of colonies and mandated countries. Such countries are an important source of some strategic and essential raw materials, though the total production therefrom may constitute only a small percentage of world supplies of raw materials, minerals and foodstuffs. Here, the problem is of privileges inregard to investment and exploitation enjoyed by the metropolitan countries and denied to the 'have-not' countries. The League Committee, when it examined this question, visualized some sort of international concessions. A sort of "open door" was advocated in regard to mandated territories.

ng fertiliser projects. There will, of e, have to be a bigger effort to nent power projects for effecting ons to generating capacity by even MW.

e emphasis on Plan implementation , therefore, likely to be different 76-78, by which time the fifth Plan e nearing its end. But the question w a financial target of Rs 45,000 s will be reached, for achieving the results expected out of the earlier t of Rs. 37,000 crores? With an gate outlay of Rs 11,000 crores in 76 there will be a balance of Rs 0 crores to be expended even on the of original estimates, not to speak s 34,000 crores on the adjusted basis. ep-up of Plan outlay by more than 30 per cent may not be found feasible in the present circumstances.

Even on this basis, a target of only Rs 39,000 crores can be reached. While therefore original estimates can be exceeded, the physical targets may be only 75 per cent of what was anticipated. It is also to be remembered that greater emphasis on core sectors will lead to the neglect of other sectors. The lag in these areas can be overcome by an increase in the activity of private sector units. A new strategy for raising the tempo of Plan implementation in the public and private sectors has therefore to be evolved and only a pragmatic approach can lead to satisfactory solutions and facilitate future planning.

generating capacity in different regions. Even with the increase in Plan allocations and the special assistance to state electricity boards to overcome their financial difficulties, huge stocks are lying undelivered and the producers are not getting payments against despatches. The arrear against outstanding bills have exceeded Rs 100 crores and with the state electricity boards undecided about the placement of further orders, the managements of heavy electrical units may be obliged to effect a cutback in production in some directions. The efforts to overcome the adverse effects of lack of internal demand with a stepping up of exports cannot fill the gap as there is keen competition for available custom in the international markets.

While the public sector undertakings are having different operational problems, what is really intriguing is the accumulation of heavy stocks of textiles, plastic items and other products. In the sugar industry too an unmanageable situation may arise later in the year if quick arrangements are not made for shipping about 80,000 tonnes of this commodity every month and the monthly releases for internal consumption are not made at the rate of 300,000 tonnes. The aggre-

ricing and scal anomalies

CONTRADICTIONS in pricing and fiscal cies and the difficulties in taking sions relating to the allocation of n funds in the central and state sectors e given rise to an anomalous situa- n in the Indian economy. In spite the claim that Plan outlay had been intained at a high level in 1974-76 l the indication that there will be an rease in development expenditure by per cent in 1975-76, there are reports out the public sector units being liged to review their production pro- ammes due to their inability to secure equate orders and maintain the tempo operations. Only the coal industry s so far been experiencing no difficulty disposing of a higher output. But en an eleven per cent increase in steel oduction has not been absorbed and as e President of the Federation of Indian hambers of Commerce and Industry, Ir K. K. Birla, has observed recently uge stocks are lying unlifted with the eel plants and in the stockyards and e congestion is sought to be relieved rough increased exports of unwanted ategories of steel. The engineering units the public sector manufacturing steel aking machinery, machine tools and astings are thirsting for orders and the ertiliser units can hope to market their output only if imports could be suitably regulated.

What is more disturbing however is the inability of the heavy electrical units to maintain their operations at current levels after having successfully built up a momentum which will ensure availability of 3,000 MW of generating equipment and help the government to make a success of its objective of doubling

gate production may constitute an all-time record at even 4.7 million tonnes and it will be unrealistic to expect that more than one million tonnes of sugar can be exported in 1975-76. There is already complaint about inadequate credit for maintaining stocks and sugar mills have been obliged to postpone payments against purchases of cane. Any serious and persistent delay in this regard may lead to a reduction in the area under cane in the coming months and bring about a repetition of the happenings of 1970-71. In that season, sugar producers had to nurse stocks of over two million tonnes while output slumped by nearly 20 per cent. The setback was so severe that there was a further drop in output in 1971-72.

These developments may not take place again in an identical manner as there is good scope for raising exports and relaxing restrictions on internal consumption. It, however, cannot be definitely stated whether high cost sugar will be easily absorbed and the government can continue to levy punitive excise duties. It may be said that the accumulation of cloth stocks, a sluggish demand for fertilisers and the absence of a brisk offtake of sugar are due to the galloping inflation of the past three years and the necessity to apportion a larger chunk of the family budget for meeting bare necessities.

The above explanation, however, cannot be responsible for the ills of the economy as there has been a concurrent rise in prices and wages in other directions as well. The imbalance is due to the negative policies of the government and the fitful implementation of Plan schemes. It has been abundantly proved by the developments of the past decade that any let up in Plan implementation in physical terms, when there is adequacy of real resources in particular directions, and high prices of foodgrains in the open market can have a devitalising effect on the economy. The government's policy of containing inflation through the levy of punitive taxes and pruning of productive expenditure at a time when the private sector has been kept under leash has resulted in reduced demand for heavy electrical equipment, steel, cement, machine tools and various other items. The failure on the agricultural front and the undue increase in the cost of textiles, synthetic fibres and various other items through the imposition of inordinately heavy import and excise duties have discouraged consumption of even some essential articles. The glut in fertilisers is of course partly due to massive imports, involving costly expenditure in foreign exchange.

The observations of Mr T. A. Pai, the union minister for Industry, at the meeting of the Central Advisory Council held recently in Delhi cannot be said to be helpful. His insistence on the maintenance of exports at a high level was understandable. But he failed to explain satisfactorily why there was so much unutilised capacity in the industrial sector and how its utilisation can be facilitated. The activisation of capacity can be successfully attempted by increasing the availability of power and raw materials. There will also have to be a reduction in taxes and a revision of price policies. The high level committee appointed by the government to enquire into the impact of inflation on capital costs and prices may be useful in formulating new price and fiscal policies. But interim relief could have been given as it was abundantly clear that the controlled industries such as cement were generating more losses with higher production. Also, with the prospect of a big increase in coal prices, steel, power transport and many other items may become costly and end prices may have to be raised suitably. In the recent budget, rebate in excise duties could have been given for increasing production and development rebate continued in some form. There was also no justification for increasing the burden of taxation after the massive effort made in 1974-75.

It is obvious that pricing policies cannot be based on old ideas and high costs are inevitable in some directions thanks to global inflation and an accentuation of inflationery pressures within the country. The government can soften the severity of impact of higher prices of expanded units and new projects only with a policy of differential prices, differential rebates in excise duties and positive rebates in direct taxes aimed at offsetting the adverse effects of high capital costs. Immediately, there will have to be an increase in Plan outlay in the central and state sectors where the physical resources are available. There should also be no hesitation to raise prices of levy sugar

nium, cement and other products are not now being profitably factured because of high cost of , coal and other factors. Ironically h, the government has no compunc- o raising excise duties exorbitantly the representatives of the industries rned were being denied even legi- e small increases in prices. With the prospect of an improvement in the food situation in the coming months and the scope for raising industrial production, the government has a special responsibility in the present context. If the anomalies are not rectified in time, anti-inflationery policies may really breed fresh inflation which may be considered an astounding statement.

laharastra's accent on employment

IKE MOST other states, Maharashtra's nce minister has shown some bold- this year by imposing a series of s to raise an amount of Rs 25 crores. however, tried to relate a number of taxes to the state government's em- ment guarantee scheme thereby at- pting to soften the adverse impact hese taxes. Apart from the yield of Rs 1 crores from new taxes for building an employment guarantee fund, state would receive an additional ount of Rs 20.60 crores from the centre account of the increase by the union ernment of the share of income-tax central excise duties. With this addi- al income, the state Finance minister proposed to convert a deficit of more n Rs 40 crores into a small surplus ring 1975-76.

he budget estimates for 1975-76 on enue account show receipts of Rs .48 crores and expenditure of Rs 885.21 res, leaving a surplus of Rs 5.27 crores. capital account, however, expenditure Rs 607.24 crores exceeds revenue of 564.65 crores by Rs 42.59 crores. The erall deficit, however, is to be wiped by the new taxes and additional re- pts from the centre.

The employment guarantee surcharge six per cent on the sales tax on turn- er beyond Rs 10 lakhs a year is expected yield Rs 7.20 crores. The state minis- has, however, excluded from the pur- w of the surcharge certain articles of ss consumption such as kerosene, ble oils, vanaspati, betelnuts, safety tches, agricultural machinery, and machine-made footwear costing up to Rs 15. Tax payable on declared goods which are essential raw materials for industries is also being excluded from the surcharge.

Apart from these exemptions, the Finance minister has tried to impress upon the consumers that the dealers would be prohibited from shifting the incidence of the surcharge on to the consumers. Nevertheless, an increase in prices of these items in practice cannot be ruled out under conditions of inadequate supplies and imperfect competition.

The Finance minister has also proposed to impose the employment guarantee surcharge at the rate of 25 per cent on the education cess and the motor vehicles tax which will yield Rs 1.30 crores and Rs 0.75 crore respectively. The present education cess on urban immovable non-residential property ranges from four per cent to 12 per cent of the ratable value. The cess is also being levied on professionals — persons in the film industry, vehicle owners, factory owners, trainers of horses, jockeys and book-makers on races, companies, money-lenders, chit funds, co-operative spinning mills, etc.

It may be pointed out that this imposition of employment guarantee cess on incomes amounts to the imposition of an income tax. It is indeed quite unfair that the Maharashtra state should impose this direct tax at a time when even the union Finance minister has considered it proper to refrain from adding to direct taxation in view of the rising cost of living. The imposition of this levy even on salaried persons drawing from Rs 400 to 599 appears visibly unjustified because this group of the middle class has been particularly oppressed by the rise in the cost of living.

In fact the very idea of taxing people for a particular section of the Plan seems quiet unreasonable. The employment guarantee scheme should be treated as a part of the state Plan and should be financed on that basis and in terms of the development programmes incorporated into the Plan.

It is significant to note that the state Finance minister has found it convenient to tax the agricultural sector lightly by imposing levies to yield only Rs 5 crores in a year. This he has done at a time when the state's agriculture has thrived considerably. The review of the economic situation in the state issued along with the budget shows that much of the rise in the per capita income of the state, which increased by 12 per cent at constant prices during 1973-74, was contributed by the recovery in the agricultural production. The exclusion of agricultural sector from additional taxation appears even more unfair in view of a variety of taxes imposed on the urban middle class.

The improvement in revenue collection for 1974-75 further confirms the fact that the state of Maharashtra has made considerable progress during the last two years at a time when the rest of the country was not particularly fortunate. The revenue collections for 1974-75 improved to make upward revision of estimates necessary. The revised estimates of revenue for 1974-75 are nearly seven per cent higher than those of the budget estimates for the year: receipts are Rs 774.93 crores against the budgeted yield of Rs 724.51 crores. Although the expenditure also has been up-graded from Rs 724.26 crores to Rs 742.78 crores, the rise in receipts is substantial to convert the deficit in the budget estimates on revenue account of Rs 17.75 crores to a surplus of Rs 32.15 crores in the revised estimates,

On capital account, the receipts which were expected to be around Rs 498.89 crores have been revised upwards to Rs 537.54 crores. The expenditure has also been enhanced by nearly Rs 66 crores to Rs 565.48 crores. The net result of this revision is that the total expenditure in the budget for 1974-75 has been raised from Rs 1242.18 crores to Rs 1308.26 crores and the deficit of Rs 21.78 crores has become a surplus of Rs 4.21 crores.

FROM THE CAPITAL'S CORRIDOR

R. C. Ummat

Exports of Jute Goods • STC Group's Performance

THE EXPORT duty on jute carpet backing may have to be abolished in the near future. An official mission, led by the secretary for export production in the ministry of Commerce, Mr. S.G. Bose Mullick, which visited the United States of America and Canada in February last to study the reasons for a steady decline in the demand for our jute goods in the recent past, has unanimously recommended this step if carpet backing is to be made competitive with synthetics in the two markets.

Soon after presenting the report of the delegation to the minister of Commerce, Prof D.P. Chattopadhyaya, here last week, Mr Bose Mullick told newsmen that the expectations that jute goods might gain an edge over synthetic packing materials, because of the hike in petroleum prices during the last two years, had not materialised. So far as primary carpet backing was concerned, the synthetic substitutes, made out of polypropylene, had been kept stable by the manufacturers for the last three years. The strategy appeared to be to drive jute carpet backing out of the market and then push up the prices of synthetic materials when the customers would be at the mercy of the manufacturers of substitutes.

slump in carpet-backing

The mission has pointed out in its report that as against contracts aggregating on an average to about 15,000 tonnes of primary jute carpet backing in the earlier part of the last financial year, the figure currently had declined to just about 2,000 tonnes. The competition from synthetic substitutes, it has been emphasised, has eroded sharply the demand for primary carpet backing which was already dwindling because of the serious recession in the north American economy, particularly in the building construction, textiles and automobile sectors. Our share in the primary carpet backing market of the US early last year was about 80 per cent. Now it has gone down to a bare 25 per cent.

The position is slightly better as regards secondary carpet backing because even though the competition to this product from the petroleum-based substitutes is increasing, the tufters and some of the leading departmental stores still favour this material owing to its reuses which compensates for its slightly higher price compared to the cost of synthetics. We are still holding about 64 per cent of the US market in secondary carpet backing.

corrective measures

The delegation feels that whereas even after the abolition of export duty, we might just be able to hold the 25 per cent US market in the case of primary carpet backing, we should not only be able to retain the 64 per cent secondary carpet backing market but may as well be able to improve upon this percentage if certain other steps are taken. These include ensuring of adequate supplies without interruption through building up of an inventory in the US and containing the prices of this material around the present levels, if not slightly lower. In respect of the primary carpet backing, the delegation has expressed the view that besides abolishing the export duty, some other incentives may have to be thought of to keep up exports even at the present level.

The delegation has placed a good deal of emphasis on research in the manufacture of jute products in the interest of keeping up their exports. Mr Bose Mullick revealed that a new type of jute backing, in fact, had been brought out by an Indian producer. It had been sent to the US for testing.

So far as hessian is concerned, the delegation has expressed the view that there is good scope for exports of the light category of this product. But even in this case, the price of synthetics has to be matched.

The competition from synthetics is also fast growing to cotton bagging. The US specifications for this packing material till now have been beneficial to us, but it may be difficult to maintain exports of this product for long because of the wide price differential. Cotton bagging is stated to cost nearly 50 per cent more [than] the synthetic substitutes. A signi[ficant] development that has taken place in [the] market in the placing of a sizeable [trial] order by the US consumers on the [syn]thetics industry. If this trial succee[ds, it] will create a big problem for our ex[ports] of cotton bagging.

The delegation has as well stresse[d the] need for massive publicity in the US [and] the Canadian markets for explainin[g the] advantages of jute over the subst[itute] materials.

* *

Having increased its turnover fro[m Rs] 563.4 crores in 1973-74 to approxim[ately] Rs 879 crores during the year just [gone] by, the State Trading Corporation g[roup] has planned for reaching a turnove[r of] nearly Rs 1,119 crores during 197[5-76.] This was disclosed by Mr Vinod Pa[rekh] at a press conference here last week. [The] Rs 879 crores turnover during 197[4-75] exceeds the budget estimate for the [year] by about 99 crores.

Of the four constituents of the gr[oup,] the sharpest increases in turnover [have] been recorded by the State Trading [Cor]poration (STC) and the Projects [and] Equipment Corporation (PEC). [The] STC improved its turnover from Rs 4[...] crores to Rs 786.4 crores and the [PEC] from Rs 18.5 crores to Rs 29.7 crores. [The] improvement in turnover of the Ha[ndi]crafts and Handlooms Export Corp[ora]tion (HHEC) was of the order of Rs [...] crores — from Rs 20.4 crores to Rs [...] crores and in that of the Cashew [Cor]poration of India (CCI) of the orde[r of] Rs 1.8 crores — from Rs 34.9 crores to [Rs] 36.7 crores. The current year's tar[gets] for the four units have been fixed as [fol]lows: STC Rs 1,000 crores; CCI [Rs] 46.8 crores; PEC 41.2 crores and HH[EC] Rs 31 crores.

Another notable achievement of [the] group during 1974-75 has been that [ex]ports have taken a considerable lead o[ver] imports. They constituted 68 per cent [of] the total turnover in this year, as agai[nst] 54 per cent in 1973-74. In the curr[ent] year's overall turnover target of Rs 1,[119] crores, exports account for Rs 795 cro[res,] imports Rs 320 crores and domestic tra[...]

crores. The corresponding figures for 75 and 1973-74 are Rs 600.1 crores ₹s 303.3 crores, Rs 274.7 crores and 38.9 crores and Rs 4.2 crores and Rs crores, respectively.

king the four units separately, the increased its exports from Rs 272.8 s in 1973-74 to Rs 553.1 crores in -75. It is aiming at an export target s 731 crores during the current finan- year. The imports of the unit in -74 aggregated to Rs 206 crores. They up to Rs 229.5 crores in 1974-75 and expected to grow to 265 crores this . The domestic trade, which accoun- for Rs 10.8 crores turnover in 1973-74, ined to Rs 3.8 crores in 1974-75. It kely to be of the order of Rs 4 crores year.

he exports of the CCI declined from 70 lakhs in 1973-74 to Rs 20 lakhs last r. This year they are expected to be rginally higher at Rs 30 lakhs. The orts of this unit increased from Rs crores in 1973-74 to Rs 36.5 crores 974-75 and are anticipated to grow to 46.5 crores this year. The domestic de was of the order of about Rs 10 hs in 1973-74. It was nil last year and provision has been made in the per- mance budget on this account for the t year. The CCI effects imports of raw hew nuts for the processing industry d is not expected to be a big exporter elf.

rspective for exports

The PEC's 1973-74 turnover consisted 9.7 crores exports and 8.8 crores im- rts. In 1974-75, exports rose to Rs crores and imports were marginally wer at Rs 8.7 crores. The current ar's budget estimate put exports at 32.7 ores and imports at 8.5 crores. The HEC exported in 1973-74 goods worth s 20.1 crores and handled domestic ade to the extent of Rs 30 lakhs. In 974-75, exports went up to Rs 25.8 crores nd domestic trade to Rs 40 lakhs. In e budget for the current financial year, hile no provision has been made for omestic trade, exports are envisaged to e raised to Rs 31 crores.

As a result of the impressive increase n turnover, the gross profit of the group s a whole during 1974-75 is estimated at ₹s 39.4 crores, as against the year's bud- et estimate of Rs 32.6 crores and a profit f Rs 24.8 crores in 1973-74. The profit efore tax in 1974-75 is now expected to e of the order of Rs 30.9 crores, as gainst the year's budget estimate of ₹s 24.7 crores and the actual profit of ₹s 18.3 crores in 1973-74. The ratio of rofit before tax to sales improved from 3.2 to 3.5. The ratio of costs to sales declined from 1.2 to one.

The gross profit of the STC improved from Rs 18 crores in 1973-74 to Rs 31.8 crores in 1974-75. The profit before tax during the two years has been of the order of Rs 13.9 crores and 25.8 crores, respectively. The profit after tax is estimated at Rs 8.4 crores for 1974-75, as against Rs 4.2 crores in 1973-74. The ratio of trading profit of this undertaking to sales improved from 2.8 in 1973-74 to 3.7 in 1974-75 and that of profit before tax to sales from 2.8 to 3.3. The ratio of costs to sales declined from 0.8 in 1973-74 to 0.6 in 1974-75.

gross profit

The gross profit of the CCI improved from Rs 3.8 crores in 1973-74 to Rs 4.3 crores in 1974-75 and profit before tax from Rs 4 crores to Rs 4.5 crores. The profit after tax for 1974-75 works out to Rs 1.3 crores, as against 1.2 crores in 1973-74. The ratio of profit before tax to sales in this case of this unit improved from 11.5 in 1973-74 to 12.3 in 1974-75 and that of costs to sales, after taking into consideration interest charges, declined from —.0.6 to —0.5.

The PEC is estimated to have thrown up a gross profit of Rs 1.1 crores in 1974-75, as against Rs 0.9 crores in 1973-74. The profit before tax during the year works out to Rs 0.4 crores, as against Rs 0.2 crores in the previous year. The 1974-75 profit after tax is estimated to be of the order of Rs 0.2 crores, as against nil in the previous year. In the case of the HHEC, gross profit improved from Rs 2.1 crores in 1973-74 to Rs 2.2 crores in 1974-75. The profit before tax as well as the profit after tax in both these years is estimated at Rs 0.2 crores. The ratio of profit before tax to sales in the case of the PEC improved from 1.1 in 1973-74 to 1.3 in 1974-75 and that of costs to sales went down from 3.8 in the former year to 2.4 in the latter year. The ratio of profit before tax to sales in the case of the HHEC showed some deterioration from one in 1973-74 to 0.8 in 1974-75 and that of costs to sales was 9.3 in 1973-74 and 7.6 in 1974-75.

The profitability of the group as a whole has improved considerably not only because of increased turnover but also due to the improvement in the unit values of most of the import items. Exports accounted for a larger profit in 1974-75 compared to imports. Although the turnover during the current year is expected to grow a great deal, the profitability is anticipated to be much lower as some setback to unit values is likely. For the group as a whole, the gross profit during this year is anticipated to be of the order of only Rs 26.3 crores, as against the estimate of 39.4 crores for 1974-75. The profit before tax is expected to go down to Rs 18.3 crores from Rs 30.9 crores.

The phenomenal growth in the turnover as well as exports of the STC during 1974-75 has been primarily due to sugar exports, which amounted to nearly Rs 316 crores. The STC was entrusted with these exports for the first time in this year. Substantial improvement, of course, has also been recorded in the exports of food products (on account of exports of high quality rice) and army software. The exports of oils and fats, textiles and leather showed sizeable declines. The exports of chemicals and drugs and those of general industrial products showed a modest improvement.

A significant point to be noted about the export performance of the STC, however, is that if the two canalised items—sugar and leather — are taken out, the other exports showed a decline of Rs 31 crores. Both the PEC and the HHEC, however, have registered significant improvement in their exports.

A pertinent point to be noted in respect of leather exports is that whereas the total exports during 1974-75 at Rs 130 crores were lower by Rs 33 crores compared to the previous year, the exports of processed leather goods have shown a good deal of improvement. Among the general industrial products, the major increase in exports has resulted from exports of cement.

breakthrough in leather

The STC is stated to have achieved a breakthrough in the exports of leather goods in western Europe and substantial orders have been received for children's shoes and nearly six lakhs shoe uppers. Marketing collaborations have been arranged in France and in some other west European countries.

The corporation has set up a Rs 1.8 crores leather development fund to foster exports of leather ware and finished leather. An export development fund with an initial allocation of Rs 3 crores, has been established to assist in raising production for exports of various other commodities.

Current year's estimates envisaged a reversal of the last year's downtrend in the exports of non-canalised items. These exports last year declined to Rs 107 crores from Rs 138 crores in 1973-74. They are expected to grow to Rs 160 crores this year. Substantial increases are expected to be effected in the exports of sugar, high quality rice and cement.

As a result of large exports of sugar, cement and rice, the country-wise export pattern of the STC has undergone a sea-change in 1974-75. Half of the increase in the exports in this year has been on account of exports to west Asia. Africa has also figured prominently as a destination of STC's exports. In 1973-74, eastern Europe accounted for nearly 35 per cent of STC's exports and western Europe for approximately 34 per cent.

Demand & supply of kyanite

Dr. A.M. Hussian

KYANITE* offers a classic example of how 'fixed locations' of mineral deposits affect the demand and supply patterns. It also, in its own sphere, sets right the gloomy prediction of a doomsday that a stage would come when the world would run completely short of mineral supplies, and hence the very foundation of human survival would be at stake.

The known occurrences of 'massive kyanite' are mostly restricted to India and the Union of South Africa. For a long time, most of the world's production has thus entered the world market. In other words, the consumer countries heavily depended on these two sources of supplies, and this situation raised a number of inherent strategic problems. It was natural for the consumer countries to probe and develop alternatives and, in fact, technology responded quickly to solve the problem of supply.

After 1950, in the USA, it was possible to beneficiate low grade disseminated kyanite deposits and to obtain high grade concentrates.

high-grade concentrates

The problem arose regarding the use of beneficiated material for the manufacture of refractories. It was not possible to substitute massive kyanite in the manufacture of high-duty bricks and shapes. However, greater use of monolithic refractories developed and fine-grained material was found ideally suitable for the purpose; thereby the demand for massive kyanite was offset to a great extent. Mullite synthesised from alumina and silica could replace massive kyanite even in specialised fields. However, due to high cost, its application is restricted to specialised sectors of high-alumina refractories.

As a result of the above developments, the consumption pattern of kyanite has undergone considerable change. In the USA, half of the demand for kyanite is met from calcined kyanite concentrates. Of the remaining, 30 per cent is met from synthetic mullite and 20 per cent natural kyanite. It is reported that low grade kyanite is ground to -35 mesh as required by the floatation process used to eliminate the accompanying quartz gangue. This product is marketed in the raw form or after heat treatment for conversion to mullite, sometimes after further particle size reduction. In the -35 to -48 mesh range, the mineral is employed mostly for refractory applications such as for high temperature mortars or cements, ramming mixes and castable refractories, or with clays and other ingredients in refractory composi-

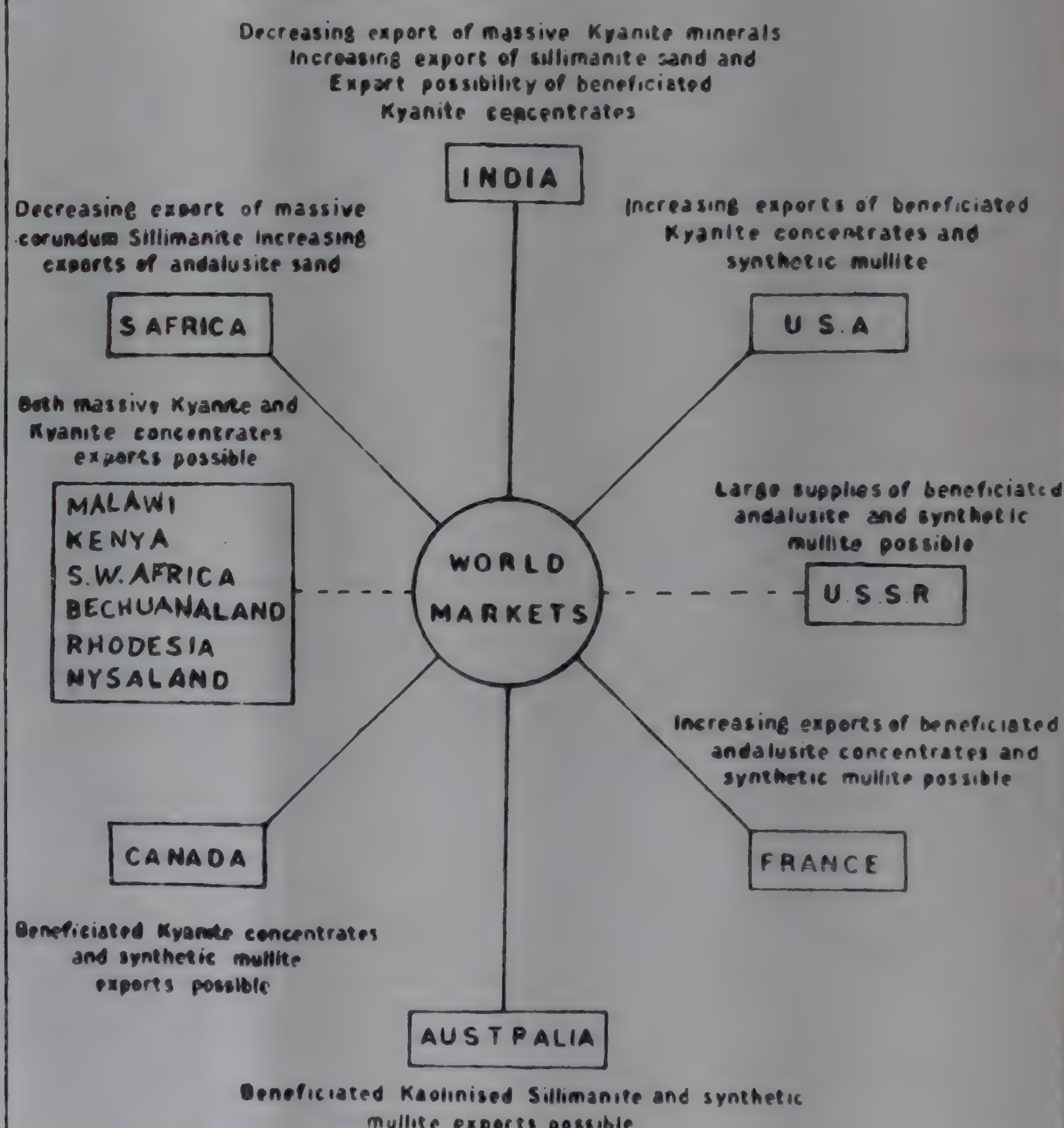


Fig 1 - FUTURE EXPECTED PATTERN OF WORLD SUPPLIES OF KYANITE MINERALS

Mark the growing possibilities of the supplies of beneficiated materials and synthetic mullite

*Including sillimanite and andalusite.

Air Cargo gets a new lift. The A300 is here.

The A300 is the first wide-body jet built specifically for short/medium range operations. Designed to bring new standards of comfort and convenience to passengers on regional networks, the A300 with its capacious underfloor hold offers new and exciting possibilities in the realm of air cargo.

Consider these facts.

– The A300 offers some 3200 cubic feet of containerized cargo space underfloor in addition to 565 cubic feet of bulk stowage.

– Operating costs are so low that the A300 will repay direct operating costs on revenue from its cargo holds alone.

– Passenger seat mile costs are 15 to 20 per cent below those of the previous generation of narrow-body aircraft which the A300 supersedes.

– The A300 is really two airplanes in one–de luxe passenger carrier and spacious freighter. If you deduct from total operating costs the revenue that the front cargo hold alone produces, then you have a passenger airplane with operating costs no more than those of a 110 seat twin-jet, **but with more than twice the earning power.** With cargo, passenger frequencies need not suffer.

– The A300 will carry up to 20 standard LD3 containers. The forward hold will carry up to four pallets with LD7's or 12 LD3's; or any combination. LD1, LD9 or LD11 containers can also be carried. Transfer from long haul to short haul is simplified and handling costs are greatly reduced.

– The A300's advanced power loading system will load and unload both holds within normal passenger turn-around times.

Yes! Air cargo gets a whole new lift.

Airbus A300

The right plane at the right time for passengers for cargo.

FROM AIRBUS

tions for the making of kiln furniture, insulating brick, fire-brick and other refractory shapes of a wide variety of types. Material in the smaller size ranges, -200 mesh for example, is used especially in body mixes for sanitary porcelains, wall tiles, precision casting moulds and miscellaneous special purpose ceramics. Thus, massive kyanite is no longer indispendable to the refractory industry and the world demand pattern has changed from massive to beneficiated concentrates and synthetic mullite.

regionwise demand

World demand for future years has been estimated and is arranged regionwise in table below. The future growth rate developed by the US Bureau of Mines has been applied while estimating the North American demand. For other regions, projections have been made using the growth rate of steel as an economic indicator and the average apparent consumption over the period 1969-71 as base. Apparent consumption data subsequent to 1971 have been neglected as there has been a downward trend in the world trade of kyanite due to economic recession and the present

World Demand for Kyanite, 1980 & 1985

(In tonnes)

Region	Average annual apparent consumption 1969-71	Estimated consumption 1980	Estimated consumption 1985
North America	99,000	164,000	213,000
Latin America	3,000	11,000	12,000
West Europe	100,000	135,000	150,000
East Europe (including USSR)	48,000	71,000	80,000
Africa	27,000	65,000	90,000
Asia (excluding China)	59,000	107,000	118,000
Oceania	4,000	18,000	22,000
Total world	340,000	571,000	685,000

phase may be a transient adjustment to demand. Informed opinion favours the suggestion that the recession of the past two years has affected imports into the manufacturing countries from the major raw material producers and that the market will pick up again. The projections for some non-ferrous metals made by Wharton School have also been examined as non-ferrous metal industries, constitute another important consumer sector of high-alumina refractories, and it has been found that the growth rates of copper and zinc in western Europe and Japan are somewhat close or slightly less then steel. This gives further support to the forecasting method adopted in this article.

With the depletion of high grade massive kyanite deposits in India and the Union of South Africa and the changed technology, the demand for beneficiated material and synthetic mullite will, no doubt, gain momentum in future. Low grade kyanite deposits are being mined on a large scale in the USA and the USSR. Of late, a number of new sources of low grade deposits in Canada, France and Australia are in various

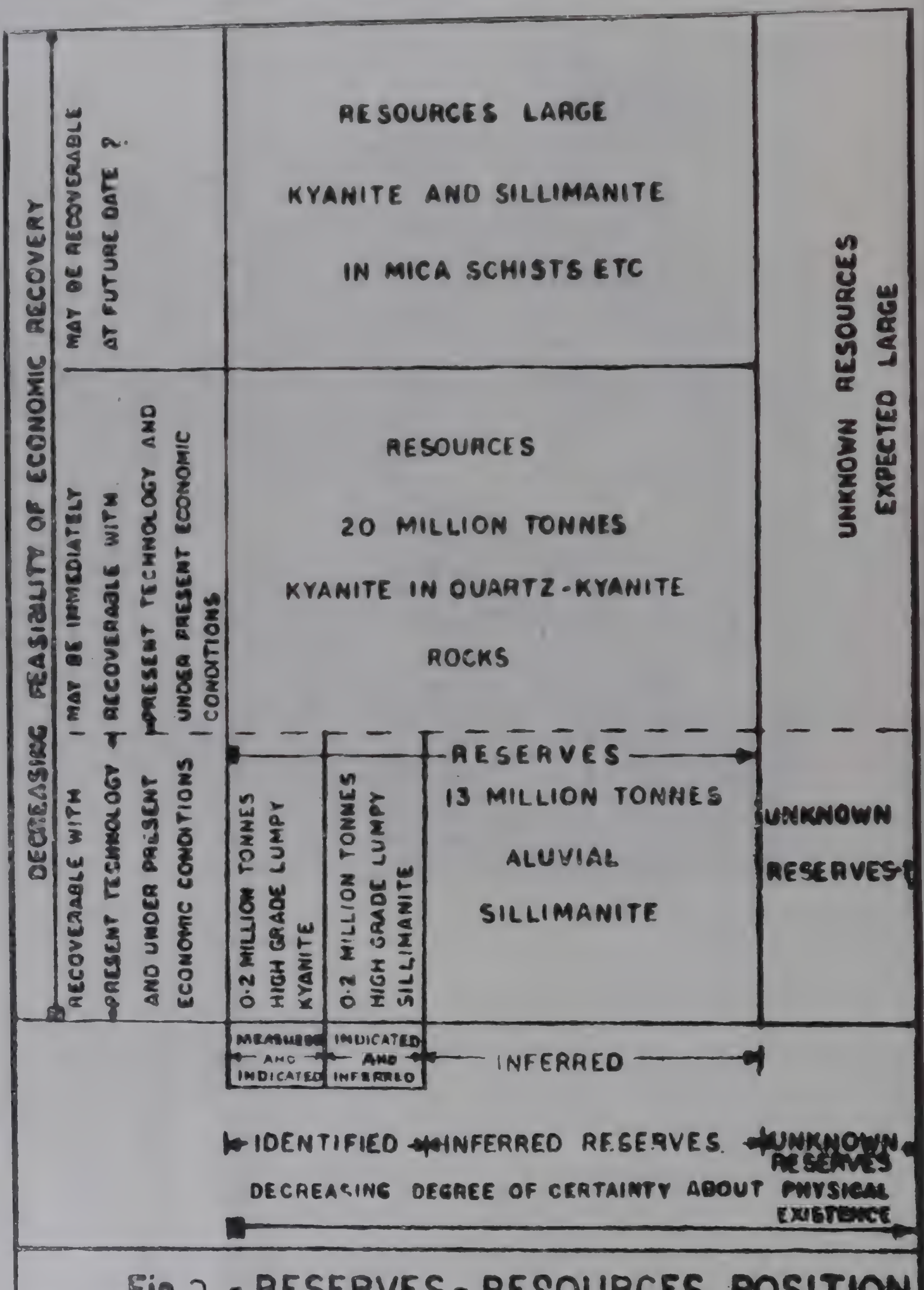


Fig 2.- RESERVES - RESOURCES POSITION OF KYANITE AND SILLIMANITE IN INDIA

stages of development. The future world pattern of supplies is depicted in Figure 1 (p. 834).

Kyanite is a very common mineral in metamorphic rocks and hence its overall 'resources' are considered to be enormous. But concentration of kyanite is more in quartz-kyanite rocks than in mica-shists etc. Besides, quartz-kyanite rocks are easily amenable to beneficiation. It is for this reason that quartz-kyanite rocks are being mined and beneficiated in the USA, the USSR, and a few other countries. The reserves of quartz-kyanite rocks are also quite large. It is generally believed that it may be possible to beneficiate and use kyanite from mica-shists etc. in another 30 years' time. Thus, the chain of supplies will continue, should the demand persist.

The conservationists might have predicted complete exhaustion of kyanite reserves in the wake of increasing demand. But it must be borne in mind that presently the known 'reserves' are only an iota of the vastly occuring 'resources' of mineral commodities. If economics and technology permit, these 'resources' could be brought under the 'reserves' category and subjected to exploitations. In this context, a typical case of kyanite with reference to India is depicted in Fig. 2 (p. 836). Informed opinion favours the view that the chances of discovering additional 'reserves' of detrital kyanite are remote, and India will have to look to its low grade quartz-kyanite rocks for its future supplies. Since this type of deposits are being exploited elsewhere, there is only a thin line of demarcation between them and the known Indian reserves. An estimate of a couple of low grade deposits has placed the reserves of kyanite in such low grade deposits at 20 million tonnes. It is expected that India would take advantage of its plentiful low grade kyanite resources as its famous Lapsu kyanite have more or less dwindled. It is high time that the low grade deposits were beneficiated and consumed not only in home industries the demands of which are steeply rising, but also exported.

Concept of double credit in lending

B. Ramachandra Rao

IN THE present context of the credit scrutiny of the big borrowal accounts in every public sector bank, and the credit squeeze it is very essential to understand the concept of double credit in relation to bank finance. It is a major complaint that banks are extending double credit and thereby help build-up high inventory levels particularly in the case of big borrowing houses. But at any rate, this complaint is not true of borrowers enjoying limits of Rs 1 crore or more as their limits are subjected to the Credit Authorisation Scheme of the Reserve Bank of India, which will grant clearance only after satisfying itself about the extent of working capital limits on the basis of the data submitted to it by the lending banker.

The concept of double credit is very simple to understand. Where inventory is obtained on credit basis from the market and if credit is obtained on the same stock either on pledge basis or hypothecation basis from the bank, it would be a case of double finance. In this case, borrower will not be paying his creditors immediately from the bank finance availed by him and he may further build up his inventory from bank credit or divert the funds outside the business or utilise the money for unapproved or unauthorised purposes.

The aspect of double credit was first touched upon by the Dehejia committee report. This committee was constituted in October 1968 with Mr V. T. Dehejia as its chairman to examine the subject of "the extent to which credit needs of industry and trade are likely to be inflated and how such trends could be checked". The committee in the main examined the various reasons which are responsible for the inflation of short-term bank credit. The credit needs of industry or trade may be considered to be inflated (i) if over a period of years, the rise in short-term credit is found to be substantially higher than the growth in the value of industrial production, (ii) if the rise in short-term credit is appreciably higher than the increase in inventories with industry or trade, (iii) if there is a diversion of short-term bank borrowings in industry for building up of fixed assets or other non-current assets such as loans and inventories, (iv) if the period of credit is unduly lengthened and (v) if there is double or multiple financing of the same stocks.

The last reason given above viz., double financing, will certainly lead to inflation of bank credit to industries and trade in a big way. Inventories constituted the main item of current assets to which credit is generally related by banks in India. Between 1960-61 and 1966-67 the percentage ratio of inventory to sales was almost stable ranging between 30.6 per cent and 31.9 per cent. When this is so, naturally an increase in bank credit to industries should broadly correspond to the rate of growth in the value of industrial output. But during the aforesaid period, the bank credit expanded at a higher rate than the rise in industrial output valued at current prices. Of course, here bank credit, included advances against fixed assets.

But even as regards short-term bank credit, between 1961-62 and 1966-67 while the rise in the value of inventories was 80 per cent, the rise in the bank credit was as much as 130 per cent. The ratio of short-term bank borrowings to inventories went up from 40 per cent in 1961-62 to 52 per cent in 1966-67. But during the period 1961-62 and 1966-67, bank credit to trade or commerce declined from 29 per cent in April, 1961 to 19 per cent in March, 1967. An analysis of the available data on trading companies showed that the ratio of bank credit to inventories which had risen from 52 per cent in 1960-61 to 74 per cent in 1965-66 came down to 68 per cent in 1966-67. The Dehejia committee had come to the conclusion that there was no evidence of 'excess' bank credit to commerce or trade.

The concept of double credit may be mainly related to the financing of inventory by the banks, In the past there was

practically no proper system in banks to assess the need for and the level of credit required to finance the stock holding. It was all a case of making advance on the cover of stock-in-trade based on the security oriented approach, Banks were not bothered to know how the stock was acquired, whether it was paid for, whether it was got on credit terms, how much of it was on credit, what part was from owned funds, whether any advance payment was received from buyers etc. All that was required was stock-in-trade to cover the bank finance with adequate margin. Banks were not satisfying themselves as to how the margin was financed, Where the margin is also financed by the external borrowings, the inventory will have been entirely financed by banks and other creditors creating a situation where the stake of the borrower in the inventory structure is nil.

If the margin is only financed by trade creditors and others, the offence may not be big, but if the stock is entirely got on credit and if the trade credit are more than the inventory, any short-term credit thereagainst from the banks will amount to obtaining finance against stock that is already financed by the creditors. This is a blatant case of double finance. Banks do not ensure that finance made available on the security of stocks not paid for, is paid immediately to the creditors. This is the main snag in the inventory financing,

changed position

But now things have changed and banks have started taking into consideration the aspect of trade credit and advances received from the buyers while computing the working capital requirements. This cognizance has come only after the startling revelaition made by the Dehejia committee report in 1969. Now to avoid double credit, banks are arriving at the working capital limits for inventory in the following manner:

1)	Imported raw materials—month's consumption	Rs.
2)	Stock in process —week's cost of production	Rs.
3)	Indigenous raw materials for—month's consumption.	Rs.
4)	Consumable stores and spares —month's consumption	Rs.
5)	Finished goods —month's sales	Rs.
6)	Advance payments for purchases ..	Rs.
7)	Expenses —per month	Rs.

The total of these items will be the gross working capital needs. From this the banks will deduct the credits received on purchases and advance payments received from the buyers. The resultant figure after deducting the margin will be the net working capital limit upto which banks could finance.

appropriate method

This method of working out the limit for inventory holding eliminates the feature of double finance. To see that this limit is used only for goods paid for, while ascertaining the drawing power on monthly basis, credits received and advance payments received should be deducted. Otherwise full limit fixed may be utilised without showing the deductions. If the trade credits and advance payments received are not deducted from the gross working capital needs, then the bankers will have the difficulty in ensuring that the creditors are promptly paid from the bank credit received. In this connection, obtaining of the cash budget from the borrowers at short intervals will be quite useful to know the cash projections as regards the receipts and payments. Payments will include payments for purchases and scrutiny of this will have relevance from the angle of double finance.

When double credit is obtained either by an industry or by a trading concern it will be a case of obtaining "excess credit". On the one hand creditors have financed the suppliers and on the other hand banks have also advanced against the same stock. This will result in excess funds in the hands of the borrowers which may tempt them in some cases to divert the money to non-working capital or non-current purposes such as acquisition of fixed assets or investments in other ventures. This possibility has lent credence to the charge of 'misuse' of bank credit and has now resulted in the setting up of a study group headed by Mr P. L. Tandon to suggest a mechanism to control the use of bank credit in the case of big borrowers.

Double credit also can arise in many other ways. If a borrower enjoys hypothecation limit in one bank and discounting limit in another, when the bill proceeds are not credited to the hypothecation account, it is a clear case of double finance. It is only for this reason that a banker always insists that all limits must be in one bank only. If the party is dishonest, it is possible that the same stock can be hypothecated to two banks resulting in double credit. Again if one bank opens the L/C and honours the L/C documents and if the goods covered under the documents are charged to another bank, it will also amount to double credit.

Further borrowing against fixed assets which are already acquired and on using the money for inventory, if bank credit is taken thereagainst, it would amount to double credit. Another case of double credit, would be taking large clean credit from one bank and inventory limit from another bank or same bank. The clean limit may more than finance the margin and result in double credit. If the proceeds of the bills are not used to settle the creditors who have extended credits in respect of the goods covered by the bills, it would amount to double credit. Again, where the bank has extended credit on book debts, if bills are discounted to the same party in respect of parties shown in the book debts' statement, it is a clear case of double credit.

unique case

Another unique case of double finance would be where goods bought on credit could be hypothecated to the bank and finance taken on the bills discounted may not be used either to reduce the hypothecation or to pay the creditors. This may be a case of treble or multiple finance.

All the above adverse features can be noticed only by a close watch over the transactions of the borrower with the bank, periodical inspection of the stocks, purchases and sales, scrutiny of the cash budgets with actuals and by a study of the financial statements. If all banks start assessing the working capital limits ensuring that there is no element of double credit, it will be a good step in the right direction to impose financial discipline on all the borrowers. It will also give a great relief to to the banks which have credit constraints on their lendable resources.

WINDOW ON THE WORLD

Private automobiles in Comecon countries

London

Jossleyn Hennessy

I

Rising Car Output

GOVEPNMENT's attitude towards pri- : automobiles in almost all Comecon ntries has changed markedly over the : few years. This report covers only following Comecon countries: garia, Czechoslovakia, Poland, East many, Romania, the USSR and Hun- y. Private car ownership is not just rated but sometimes even encouraged. this does raise conflicts. On the one d, cars provide incentives for working der, while at the same time serving to hon off private purchasing power; on other hand, the development of the car ustry and the provision of finance for illary investment (roads, petrol sta- n and garage network) as to fit in with limits set by overall investment.

Hungary and Bulgaria apart, all the omecon countries make cars, although ulgaria has a car assembly industry. n 1973 the Comecon share of world car roduction, at 1.4 units, was just under ve per cent. But car output in the Come- on is increasing at a remarkable rate: went up from 0.4 units in 1965 to 0.7 nits in 1970; at the end of the current ve-year Plan, output is scheduled at .8 vehicles. The main producer is the oviet Union, which is supposed to in- rease its output by a factor of six in the lecade 1965-75. While in 1965 the USSR ccounted for half Comecon car out- ut, in 1973 its share was two-thirds, at 917,000 vehicles.

The USSR owes this above-average ex- pansion to cooperation with western in- dustrial countries. In 1967 the USSR entered a licencing agreement with Fiat for the 124 and 125 models. In the USSR these models are known as Shiguli; for export to the western industrial countries they trade under the name "Lada". Pro- duction started in 1970. By 1973, at 450,000 units, it accounted for half of Russia's car output. For 1975, 660,000 units are planned. Of the cooperation partners, Renault stands out for its contri- bution to the modernisation and expansion of the Moskovitch production plant (1966- 69). These models account for about a third of Soviet car output.

Higher output in the Polish and Roma- nian car industry — which in 1973 pro- duced more than 10 per cent of the cars made in the Comecon — was also helped by taking up western European licences: Poland entered agreement with Fiat for producing the Fiat in 1966. About 75,000 of this model were built in 1973. In 1971 Poland signed another agreement for a modified version of the Fiat 126, the 126P. Production started in 1973. By 1980, it is expected to reach an annual capacity of 200,000 units. Romania and Renault in 1966 agreed on the assembly and subse- quent production of Renault cars. The cars are made under the name Dacia; capacity is 500,000.

Car output in East Germany and Czechoslovakia has risen more slowly. Both countries make only their own de- signs. Czechoslovakia managed to double output between 1965 and 1970, but rea- ched its capacity limit after that, as did East Germany. Given the level of motori- sation, the need to develop the car in- dustry was less urgent than in other Come- con countries, so there was no great pres- sure for buying up licences. Even so, there was not enough investment finance to give new impetus to the domestic car industry.

Over the last few years, a certain amount of cooperation inside the Comecon has grown up in the car sector: Bulgaria assem- bles Soviet "Moskvitch" models. Bul- garia, Poland, Hungary, Yugoslavia and East Germany make car parts for the USSR, mainly for the Fiat models built under licence. Poland goes in for co- operation in its licenced production of Fiat models. Its partners include the USSR, Hungary and particularly Yugo- slavia. Poland supplies 75 per cent of the parts for the Fiat 125 PZ, built in Yugo- slavia. From 1974, "Zastava" models (Yugoslav Fiat licence) have been assemb- led in Poland. Only Romania is still trying to make all its own car parts to avoid becoming dependent on supplies from abroad.

Compared to the wide choice available in western countries, the range of models in the Comecon is small.

II

Comecon Imports

Between 1965 and 1973 car imports into the Comecon nearly trebled, growing faster than either output or exports. These imports originated almost exclu- sively from the partner countries. Im- ports from western countries cannot be stepped up because of the shortage of con- vertible currencies.

The Comecon countries are, however, making an effort to export cars to western countries. A quarter to third of Czecho- slovakia's car exports has been going to the west for some years. Poland in 1972 sent a third of its car exports, the Soviet Union in 1973 about a fifth (45,000 units) to the west. Nearly half of Soviet car exports to the west were sent to EEC countries.

Since 1965, the Comecon has been producing about 1.2 million

motorcycles and scooters a year. Official data on mopeds are available only for East Germany (1973: 150,000), Poland (126,000) and Czechoslovakia, including small motorcycles (82,000). The fortunes of the motor cycle industry in the individual countries have varied: while the USSR increased its output by a large margin, most of the other Comecon countries suffered a drop. However, output in East Germany started climbing again in the last few years, boosting exports.

Most imported motorcycles were made in the Comecon. Trade policy gives even greater preference to pruchases from the Comecon than in the case of motor cars.

In 1973, the Comecon countries had about seven million cars on the road, i.e. about the same number as West Germany ten years ago. The increase in cars since 1970 has been about 40 per cent. Some of these (oficial cars, etc) are outside the private sector. In 1970, their share in East Germany, Czechoslovakia, Poland and Hungary was about 12 per cent, in Bulgaria and the USSR more than 20 per cent.

However, private car figures for the USSR include government-owned vehicles used by officials for both official and private journeys. The share of cars used exclusively for private purposes in 1970 was only about half the total number of cars. However, with increasing motorisation the share of privately used cars has increased disproportionately; in 1972 only

Motor Vehicle Prices in the Comecon Countries, 1973

Country	Motor vehicles		Currency unit	Relative price*
	Model	Price		
Bulgaria	Moskvitch 412	4,900	leva	37
	Shiguli VAZ-2101	6,100	leva	46
Czechoslovakia	Skoda 1000	45,000	crowns	22
	Shiguli VAZ-2101	58,000	crowns	28
	Motor cycle 250 ccm	7,370	crowns	3.
GDR	Trabant	8,300	marks	10
	Wartburg	17,800	marks	22
	Motor cycles 250 ccm	3,450	marks	4.
Poland	Fiat P 126 n	69,000	zloty	25
	Trabant	69,000	zloty	25
	Fiat P 125	160,000	zloty	58
	Motor cycle 125 ccm	9,000	zloty	3.
Romania	Dacia 1300	70,000	lei	47
USSR	Saporoshez ZAZ-966	3,500	roubles	27
	Moskvitch 412	4,980	roubles	38
	Shiguli VAZ-2101	5,500	roubles	42
	Motor cycle 250 ccm	670	roubles	5.
Hungary	Trabant	80,000	forints	34
	Fiat 127	109,000	forints	47
	Motor cycle 250 ccm	13,700	forints	5.
West Germany	VW 1200	5,090	DM	4
	Motor cycle 250 ccm	3,120	DM	2.

*Number of average monthly wages and salaries needed to buy a motor vehicle.

Sources: Comecon countries' statistical yearbooks and daily newspapers.

Car Population in the Comecon Countries, 1965 to 1975

Country	1965	1970	1972	1973	1975*	1965	1970	1972	1973
	Cars and estate cars					Motor cycles and scooters			
	Numbers in 000s.								
Bulgaria	—	150	210	252†	334	—	—	—	—
Czechoslovakia	448	850	1,115	1,265	1,825	924	909	852	830
GDR	662	1,160	1,400	1,539	2,126	11,87	1,374	1,373	1,361
Poland	246	479	620	781	936	1,465	1,789	1,879	1,893
Romania	—	130	—	203†	326	—	—	—	—
USSR	926	1,885	—	2,500†	4,333	3,914	5,075	5,419	5,700†
Hungary	99	240	340	410	552	391	611	696	720
	Inhabitants per Vehicle								
Bulgaria	—	57	41	34	27	—	—	—	—
Czechoslovakia	32	17	13	12	8	15	16	17	18
GDR	26	15	12	11	8	14	12	12	13
Poland	128	68	53	43	36	21	18	18	18
Romania	—	156	—	114	65	—	—	—	—
USSR	249	129	—	100	60	59	48	4	44
Hungary	103	43	30	25	19	26	17	515	15

* Plan targets † Estimates or provisional figures.

Sources: Comecon countries' statistical yearbooks.

en per cent of Czech and Hungarian l five per cent of Polish car totals were l in "official use".

Motorcycles have increased considery in the USSR and slightly in Hungary l Poland since 1965; in Czechoslovakia has dropped. Presently, there are still re motorcycles than cars in the Comen. The only countries where numbers ve swung the other way are Czechoslokia and, since 1973, in East Germany as ll.

The trend emerging over the last few ars—increasing motorisation, partilarly of young people with small motorcles or mopeds and a switch from motorcles to cars — is the same as in western dustrial countries, though with a time g.

III

High Initial Outlay

Despite the considerable catching-up emand, some of the demand has to reain unsatisfied because supply is so nited, although some of the selling prices e extremely high. A medium-sized car kes about 47 months' pay in Romania nd 22 in Czechoslovakia and East Germany. An East German has to spend bout 10 months pay on the small Trabant, Pole 25 and a Hungarian 34. Not only re prices high, but there are usually long aiting periods as well. All the Comeon countries give preference to buyers who can pay in western currencies. Foeign currency will buy a wider choice of ars without a waiting period. Under he heading of "domestic exports" 21,000 Fiat 125P were sold to domestic buyers in Poland against foreign exchange in 1973.

Even so, in contrast to the sixties, government price policy in some countries does now respond more flexibly to market changes. After the volume of car sales in Czechoslovakia had dropped 12 per cent in 1972, the prices of some Soviet and domestic models were reduced nine to 22 per cent in 1973. The price reduction has brought them back to about their 1969 level. At that time prices were raised to curb demand. In Romania an extraordinarily high price was set for the Dacia 1300 and in Poland for the Fiat 125P. But as a quid pro quo, the cars are immediately available, even on hire purchase.

The average annual mileage of a private car is about 4,800 miles in Czechoslovakia and 4,680 miles in East Germany. In West Germany the figure is 8,400 miles.

Private cars in the Comecon are used mainly for holiday and weekend travel.

Car Imports from Western Industrial Countries

(in '000s)

Country	1965	1970	1971	1972	1973
Bulgaria	1.2	1.0	1.0	0.8	—
Czechoslovakia	5.6	16.1	10.8	8.3	5.8
GDR	—	0.3	0.4	0.4	2.3
Poland	1.7	0.9	0.2	0.2	0.4
Hungary	0.1	9.9	7.4	7.4	1.6

Source: Comecon countries' statistical yearbooks

Car production[1]) and Foreign Trade in the Comecon Countries, 1965 to 1975

(in 000 s)

	1965	1970	1971	1972	1973	1975[2])
Production						
Bulgaria[3])	—	8	8	8	12	35
Czechoslovakia	78	143	149	155	165	175
GDR	103	127	134	140	147	150
Poland	26	68	85	90	113	154
Romania[4])	4	24	30	39	47	55
USSR	201	344	529	730	917	1,260
Hungary	—	—	—	—	—	—
Comecon	412	714	935	1,162	1,401	1,829
Exports						
Bulgaria	—	—	—	—	—	—
Czechoslovakia	49	74	72	89	111	—
GDR	36	56	74	79	71	—
Poland	5	21	26	33	37	—
Romania	0	5	7	15	27	—
USSR	49	85	150	195	238	—
Hungary	—	—	—	—	—	—
Comecon	139	241	329	411	484	—
Imports						
Bulgaria[5])	11	23	41	48	52	—
Czechoslovakia	15	42	72	78	95	—
GDR	21	47	57	66	69	—
Poland	21	17	32	34	47([5])	—
Romania	12	12	4	10	3	—
USSR	2	—	—	0	—	—
Hungary	12	49	54	58	81	—
Comecon	94	190	260	294	347	—

([1]) Including estate cars. ([2]) Plan targets. ([3]) Assembly only. ([4]) Including jeeps. ([5]) Including car kits.

Sources: Comecon countries' statistical yearbooks and foreign trade statistics.

Increasing use of cars for travelling to work, for shopping, etc., is being made only in countries with a reasonably high level of motorisation. In East Germany such journeys already account for more than half the average mileage.

Data on motor cycle mileage are available only for East Germany: in 1971 the average was 1,960 miles, of which about 35 per cent was for holiday and leisure trips. In contrast to the western industrial countries, motorcycles in East Germany — as in the other Comecon countries — are used largely for commuting to work.

One reason for the low average mileage is the high price of petrol, e.g., in East Germany up to 1.65 marks per litre. In most Comecon countries, prices were raised even further after the energy crisis, although the USSR their main supplier, did not increase its prices. In Poland and Romania petrol prices rose by up to 80 per cent. In Bulgaria petrol is rationed. In Czechoslovakia petrol prices were increased — by 66 per cent — but the car tax was abolished at the same time. In the USSR the petrol price remained low and there is no car tax.

Inadequate motor services — mainly the lack of garages to carry out repairs — also affect mileage. Data on actual capacity are patchy: Czechoslovakia has about 1,000 service garages for its entire car population, the USSR in 1970 had about 500 car repair shops with another 500 open by this year. Czechoslovakia in 1973 had about 1,250 petrol stations, Poland in 1972,1,140, Bulgaria 320 and Hungary 400. The USSR in 1970 had 2,000 petrol stations, to be expanded to 4,000 by 1975. Cars needing repairs or spare parts are often out of action for long periods.

For the five-year planning period 1976-80, the Comecon is looking to a further rise in car output. Production under licence already under way should reach full capacity during this period. East Germany and Czechoslovakia are also planning to bring out a new medium-sized car in joint production. Capacity is to be 600,00 units a year of which half will be made in East Germany and half in Czechoslovakia. Hungary is to make electrical components. In the longer run, this looks like being the only independently-produced medium-sized car in the Comecon. Romania has been thinking about building up small car industry with the help of western manufacturers since 1972; but so far nothing has been done. Negotiations, were held with Renault, Toyota, Fiat and Volvo.

Motor Cycle Production¹) and Foreign Trade in the Comecon Countries 1965 to 1973

(in '000s)

	1965	1970	1971	1972	1973
Production					
Bulgaria	7	1	4	5	—
Czechoslovakia²)	120	108	110	114	115
GDR	64	71	72	79	83
Poland	152	95	79	63	60
Romania	—	—	—	—	—
USSR	711	833	872	898	932
Hungary³)	45	35	37	38	38
Comecon	1,095	1,143	1,174	1,197	1,228
Exports					
Bulgaria	0	1	—	—	—
Czechoslovakia	66	92	149	169	—
GDR	17	29	36	33	33
Poland	1	1	2	1	—
Romania	—	—	—	—	—
USSR	21	22	14	13	22
Hungary	17	19	27	26	27
Comecon	122	164	228	242	—
Imports					
Bulgaria	25	12	7	6	—
Czechoslovakia	—	—	—	—	—
GDR	—	—	—	—	—
Poland	3	6	11	17	—
Romania	0	1	1	1	—
USSR	70	76	87	87	88
Hungary	11	95	76	79	83
Comecon	109	190	182	190	—

(¹) Including scooters. (²) Above 125 ccm. (³) including mopeds.
Source: Comecon countries' statistical yearbooks and foreign trade statistics.

Petrol Prices* in the Comecon Countries in 1974

(Soviet Union=100)†

Bulgaria	495/866††
Czechoslovakia	500
GDR	500
Poland	693
Romania	522
Hungary	518

*Of one litre of petrol (94-98 octanes). † Currencies converted at the non-commercial exchange rate. ††Free market price.

Sources: Neues Deutschland, June 8. 1964; Neuer weg, March 28 1974; Neuer Zurcher Zeitung, May 25, 1974; Trybuna Lud April 8, 1974.

The plan targets for the Comecon car population for 1975 look realistic for almost all the countries, except for East Germany and Czechoslovakia. The plan targets for these two countries imply that the car population would have to go up by 300,000 apiece in 1974 and 1975. Presumably the East German-Czech joint production had been expected to come on stream earlier, and Plan targets had been adjusted accordingly.

Given the present low level of motorisation of the 350 million Comecon consumers, and bearing in mind that the expected rise in incomes, demand will continue strong for a long time yet. Even in East Germany and Czechoslovakia, where motorisation has progressed most, market saturation could still be a decade away, but the shortage of foreign exchange in the Comecon means that export opportunities for western car makers are unlikely to improve much.

Sources and acknowledgements: The foregoing summarises a special report in the *Economic Bulletin* of the Deutsches Institut fur Wirtschaftsforschung (5 Koenigin Luise Str., Berlin 33), but the DIW is responsible neither for the emphasis of my summary nor for my interspersed comments.

European uncertainties

E. B. Brook

Vienna

SPRING has come to Europe and the
sts are on the move. On the whole,
her depressed, uncertain set of people
ess gloomy than usual. This is the
on, with holidays beginning, when
comes a little unfashionable to worry
it inflation, to dwell on the fact that
s job may be at risk and even less
ptable to think about troublesome
cepts like the Common Market, what
British are going to do — if anything
bout oil, money, politics or any of the
ers things that bring clouds over the
ntal horizon.

ut even the most lighthearted now en-
ng the Easter holidays in chilly, cloudy
ther can really forget that all these
blems remain with us and that an
ertain summer lies ahead. Prices are
l steadily going up and the Market area
o full of cattle bred by the farmer's who
lier created the butter mountain, that
ther Austria nor Yugoslavia can get
of their growing surpluses of animals
n though they seek markets for them
far as Iran and Japan. The most
ble economies, some of which have
ugly imagined they were immune to
ubles afflicting their neighbours, are
eatened with unrest this summer —
t from workers but from producers.
ready the British farmers have violent-
protested against imports of cattle and
gs from their fellow Market members —
eland and France — and the British
hermen against imports of fish from
ance and Norway. The French farmers
ve rioted to prevent Italian fruit and
getables coming in to compete with
eir own produce. The Austrian far-
ers are preparing to block the streets
Vienna with herds of cattle they cannot
ll abroad and which they are unwilling
sell at cut prices at home.

se of nationalism

Europe waits uncertainly, and with a
ood deal of cynicism, to see how the
ritish will vote in June over continuing
heir Market membership on improved
rms. No one expects them to give an
verwhelming vote in favour of stepping in
– especially after the Labour Party's na-
onal executive has come out against it
– nor a particularly decisive vote to get
ut. What is feared on the Continent
that there will be a fairly typical close,
elatively indecisive vote which may in-
olve more negotiation and more un-
ertainty. No one deceives oneself that
he British are enthusiastic for Europe or
hat, if they step in, it will be for anything
ut their own purposes. All that Europe
opes is that, whatever the outcome, it will not mean much more reorganization, much more concession and haggling. Saturation point in concession, in seeking mutual adjustments has just about been reached; there has been so much giving up of some treasured national interests for the increasingly nebulous concept of Europe that the tide is beginning to turn the other way — to nationalism, even to little nationalism.

What is remarkable about the British searching of soul over the Market is that while Mr Wilson may be able to pilot Britain into keeping its seat in the Market, he may, in doing so, break up the United Kingdom into separate communities of English, Scots and Welsh economically. The poorer and less developed regions of Wales, Scotland and northern Ireland have all developed nationalist parties strongly opposed to Market membership. The Labour parties there are similarly opposed and they demand that their countries should settle their own destinies and not be dragged into continued Market membership in the wake of the much more prosperous England.

devisive factor

The Market, an economic device to unite western Europe, has proved devisive in the United Kingdom and devisive within the Labour Party. Meanwhile, in a mood directly contrary to Market concepts, the British government is coming under increasing pressure from powerful labour unions and party leftwingers to impose controls on imports to help improve Britain's ailing economy. With unemployment approaching one million and a record trade deficit of £4 billion as well as one of the world's highest inflation rates the British government will have difficulty in fending off this idea.

The sentiment in Britain is not altogether out of accord with that in Europe itself. The days have gone when a euphoria over the concept of Europe was popular. Monnet, its author, is an old man out of tune with the times; his voice is no longer heard. Even the national idea seems to be fading in favour of narrower concepts. Just as the Scots and the Welsh see their interests as other than those of the English, so do other racial groups in France, Switzerland and Spain. In West Germany, there is increasing consciousness of variations of interest between the north and Bavaria. No one has ever managed to raise enthusiasm for Brussels — even in the Market's palmiest days. Widespread and frequent travel has largely rubbed out the idea of frontiers and there is almost less than no interest in or in building international societies.

Military unions are taboo as producing dictators and economic unions unpopular as producing situations contrary to national and local interests. The Market has produced the notorious "butter mountain", now hordes of cattle and heavy wine surpulses. At the moment the French and Italian industries have some 2,400,000,000 litres of surplus wine which they want either to export at subsidized prices or turn into industrial alcohol at a cost to the Market's farm fund of some 250 million dollars—and the only possible customer would be the Soviet Union which bought up the butter mountain also at a bargain price. Western Europe is growing tired of producing heavily excess supplies to sell at cut rates to the continent's eastern half.

area of discontent

Another area of European discontent is the imports of cheap textiles, chiefly from Asia but also from the USA. Britain is stopping the issue of open general licenses for textiles and substituting licences for individual shipments; the government there has refrained so far from import curbs partly from fear of retaliation against British exports and partly because recent Common Market concessions will mean a European sharing of Britain's burden from low-cost imports. But the Common Market is seeking to persuade Hong Kong to follow Taiwan and South Korea in accepting self-restraint in textile exports. Both Canada and Australia have clamped quotas on cheap textile imports and west European mills are complaining not only about Asian imports but also of a flood of cheap American fibres and made-up goods produced "by cheap American labour." West Germany and Sweden both pay their textile workers better than do the Americans. The real threat from the US imports is on account of their superior quality.

With King Feisal dead, the middle-east problems unresolved, and the US dollar still unrealistically weak, both Europe and the middle-east are in a state of uncertainty. It looks to the consumer producer preliminary energy conference in Paris for some beginningsof a definitive move in the unrealistic situation of high fuel prices during a glut of fuel supplies and the prospect of a lasting superfluity of energy for industry in a world feverishly aroused by the OPEC oil price increases late in 1973. Thel full effect of those price increases are still to come and may be uncommonly farreaching.

Simon on fluctuation in dollar value

Washington

...CTUATION IN exchange rate of the ...ar "have not been extreme, nor ...e they persisted in one direction," ... secretary of the Treasury, William ...on says.

In an interview, Mr Simon added ...t fluctuations in currency values ...ce the advent of floating exchange ...es "have been a lot less violent and a ... less disruptive than fluctuations in ...ces of raw materials and commodities. ...e secretary also made these other ...nts :

The dollar's future value will depend ... how the US Economy performs. ...hough US inflation is unsatisfactory. ... US record in this is better than ...st other industrial countries.

The United States still believes that ... monetary role of gold should be ...luced and eventually eliminated.

...l reference price

Regarding the US proposal for an ...il reference price," the United States ...nnot permit foreign oil to compete ...th US energy sources in a disruptive ...anner. It hasn't been decided yet what ...ice level would constitute an unaccepta-...e dependence on imported energy. ...t all nations have a common interest ...protecting their domestic energy and ...eventing a restimulation of consump-...on if prices should drop.

Here is the text of an interview with ...e US secretary of the Treasury.

Question : When the value of the dol-...r declines the US government does little ... support in the foreign exchange mar-...ts. Why ?

Answer : The dollor is floating, like ...ost other major currencies, which ...eans that its exchange rate is primarily ...etermined by market forces rather than ...y government intervention. I think ...change rates should be determined ...ainly by market forces, and that it ...ould be a mistake for governments to ...y to maintain particular rates in ...ontradiction to underlying market ...ends.

Floating exchange rates provide in my ...ew a particularly useful and effective ...echanism for adjusting to the present ...ncertainties in the world economy. I ...m convinced that if government had not ...oved in 1973 to adopt generally floating

> This is the text of an interview with the US Secretary of the Treasury, released by the USIS for publication on the eve of Mr William Simon's visit to this country.

exchange rates, in the past two years we would have experienced much more widespread currency speculation, massive capital flows, and the kind of recurring monentary crises which characterized earlier years.

With floating rates it is to be expected that there will be upward and downward movements in exchange rates. The dollar has moved within a fairly narrow range since the beginning of generalized floating in early 1973. At present, the level of the dollar, on the basis of a trade-weighted average of rates vis a vis other currencies of the OECD, is higher than it was at its lowest point in mid-1973. The dollar is lower invalue than it was at its highest point early in 1974. Since early last September the dollar has declined in value on a trade weighted basis, but that decline has been less than the increase in value which had just taken place from May to September.

Both we and other governments do of course, intervene from time to time to maintain orderly markets, and we will continue to do so in situations where such action appears to be desirable. But we will not attempt to resist a fundamental trend in either direction.

Q. In your opinion, is the present rate of exchange of the dollar realistic ?

A. It is difficult to know what you mean by "realistic." we have no exchange rate target. If you are asking whether the dollar is more likely to move up or down in the future, I would point out that will depend fundamentally on the performance of the US economy in relation to other economies. Our economic performance in recent months has not been nearly as good as we would like in certain key respects—for example, inflation—but it is important to remember that our record is better than most countries, and I am confident that we will improve on that record in the future.

Q. The dollar's decline is substantially eroding the resources of the oil producing countries. Could this not cause new monetary disorders and new tensions between the producing countries and the countries importing oil and raw materials ?

A. The recent exchange rate movement should be kept in perspective. Over the past year and one-half—since the sharp increases in oil prices began —the dollar's exchange rate (on a trade-weighted average basis in terms of other OECD currencies) has actually appreciated. The fluctuations have not been extreme, nor have they persisted in one direction. In fact, fluctuations in the exchange rates of the dollar and other major currencies have been a lot less violent and a lot less disruptive than fluctuations in prices of raw materials and commodities over the past couple of years. I see no reason for these exchange rate fluctuations to cause "monetary disorders and new tensions."

Q. It is not possible that the large amount of dollars outside the US could create a sort of independent universal currency quite separate from the "domestic dollar" and outside effective US government control ?

A. There has for a long time been a large euro-currency market, in which banks deal in currencies, dollars and others, outside the country of issue. This market is generally regarded as having important role in the financing of international trade payments.

operational responsibility

The quation of responsibility for the operations of banks and other institutions in this market is one which officials of the major industrial nations have discussed. As a result, the mechanisms for supervision, regulation, and exchange of information on these markets have been strengthened.

Q. After the Martinique agreement and the subsequent revaluation of French gold reserves, do you think that gold will, in the near future, represent a reserve instrument ? What are your ideas about its role ?

A. Most countries will probably continue to count their gold as a reserve asset in this period However, substantial progress is being made in achieving the internationally agreed objective of reduc-

ing the monetary role of gold. At the January monetary meeting, it was agreed that the official price of gold should be abolished, and that obligations on members to use gold in payments to the IMF, (International Monetary Fund) and on the IMF to accept gold, should be eliminated.

France's decision to value its gold holdings at market-related rates is not inconsistent with the objective of eliminating the various rules that distinguish gold from other commodities and give It special status. The United States believes that the monetary role of gold should continue to be reduced, and that gold should eventually be removed from the monetary system and assume the status of any other commodity.

Q. While in the past the United States, according to US spokesmen, sought a heavy reduction in oil prices, secretary of state Henry Kissinger has proposed a world "reference price." What is the reason for this shift in the American position and what in your opinion are the chances for its being accepted by the producing countries and other industrial consuming countries ?

A. In the State of The Union Message, the President stated that to "Provide the critical stability for our domestic energy production in the face of world price uncertainty, I will request legislation to authorize and require tariffs, import quotas or price floors to protect our energy prices at levels which will achieve energy independence."

goal of invulnerability

Such protection of US domestic energy prices is essential in order to achieve by 1985 our national goal of invulnerability to adverse economic effects arising from disruption of imported energy supplies. Much of the oil we import can be produced at very low prices. Thus, the producers have the power of undercutting US producers of alternative energy sources and disrupting US efforts to become self-reliant in energy. If, for example. the OPEC (Organization of Petroleum Exporting Countries) were to cut prices of oil from present high levels to four dollars a barrel, it is estimated that US import requirements would rise from the present level of 6.5 miilion barrels per day to more than 20 million barrels per day in 1985. Domestic production of oil would fall sharply below present levels.

At such levels, a new embargo would deprive this country of many millions of jobs, and at least 100,000, million dollars in GNP (Gross National Product).

A determination has not yet been made as to what exact price level should be judged likely to result in an unacceptable level of US dependence on imports, but it is clear that we cannot permit imported oil to compete with domestically-produced energy in a disruptive manner. The precise instrument that would be used to implement this policy has yet to be chosen, but the principle is fundamental to our energy goals.

The efforts of this country to develop alternative sources will benefit other consuming countries as well the US because they will help bring down the price of oil from current exorbitant levels. We have the same interest in seeing other consuming countries develop their domestic energy resources rapidly. But it is also true that consuming countries could offset each others efforts to bring down the price of oil by restimulating consumption when prices begin to fall. For this reason, all consuming countries have an interest in adopting a common policy on the levels at which they will protect prices of their domestic energy.

recycling petrodollars

Q. What is the most recent thinking of the Ford Administration relative to the recycling of petrodollars?

A. Recent developments have strengthened our views that existing financing arrangements are working well, and that the financing problems arising from the oil price increases will prove to be both temporary and manageable. The major costs associated with the oil price increases concern their real economic effects.

There is, of course, no assurance that individual countries will in all cases be able to obtain the financing they need to operate their economies at reasonable rates and to avoid recourse to disruptive exchange of restrictive policies. For this reason and in order to remove any uncertainty as to the ability of the system as a whole to handle the problem. The major industrial countries have agreed to supplement the very substantial resources now available through thh IMF and other arrangements by establishing a financial support agreement. The agreement will provide national commitments totaling $25,000 million to be used as a supplemental "safety net" for OECD nations which cooperate on energy and other economic policies. It is our hope and expectation that the very existence of this financial insurance mechanism will help to assure that it will never have to be used. Signature on the agreement by ministers on April 9 will represent a major step forward in the effort to develop financial solidarity among the oil importing nations.

Q. What are your forecasts about present economic trends? More especially: what are your predictions concer ing the state of industrial activity, u employment and inflation in the Unit States during the present year?

A. We expect to see the econon begin to improve in the middle mont of this year with a healthy uptu continuing to develop through 197 Considerable progress is being ma against inflation. Consumer prices m be rising at something like a six per ce annual rate by the end of this yea This is still too high but much better tha we have been doing.

rising unemployment

Economic activity has been fallir and unemployment rising. Howeve once the overhang of temporarily e cessive inventories has been worke off, the forces of recovery will predom nate. Interest rates have been fallin which sets the stage for a recovery i housing. Consumer real income shoul be rising again soon. In addition, gov ernment actions—those already take and those in prospect—will support an strengthen an early recovery from th current recession.

Q. What do you think of th apparent discrepancy existing betwee the White House and Federal Reserv Board philosophies concerning liquidit in the American economy, how will i affect the flow of industrial risk capital Finally, what is your view of the stat of the American stock markets?

A. I am not aware of any significant discrepancies of view between the White House and the Federal Reserve Board on the liquidity question or any other We do not expect, aud would not benifi from, identical views on each and every question. The Federal Reserve Board answers to the Congress for its actions and is independent of the executive branch of the government. The Federal Reserve Board through its distinguished chairman, Dr Arthur Burns, has made amply clear its intension to ensure an adequate rate of growth in money and credit and to prevent any undesireable effects stemming from a lack of liquidity.

Industrial risk capital is a scarce and valuable commodity. We need more of it, as do most countries. I am hopeful that our economic and financial policies will always beframed with that goal.

I think that our stock markets are in good shape. Recently, the broad averages have been rising on relatively, large volume. In general, our financial markets, both the debt and equities markets, are quite broad and deep and efficient. We welcome and encourage the participation of foreign as well as domestic investors.

Courtesy: *USIS*

MOVING FINGER

the course of the lly cheered and widely admired ad-
ss he delivered at the Assocham session the (non) future of the mixed eco-
ny in this country, Mr J.R.D. a, I was amused to note, made deft of the father (the late Jawaharlal hru) as a stick to beat the daughter rs Gandhi) with. He argued that, in e of his socialist ideals, Jawaharlal hru did follow in practice a pragmatic icy which dutifully promoted the mix- economy to the greater glory of the ion. After giving credit to this policy the admirable performance of our onomy "from the mid-fifties to the mid- ties", when "industrial production se at an annual rate of eight to nine per nt, a rate never known before or since India's economic history", Mr Tata oceeded to document the subsequent cline and fall of the mixed economy major sectors of private enterprise, cluding air transport, banking, insuran- , coal and copper were nationalized, all them on confiscatory terms.

Mr Tata concluded with the sombre atement that, he would no doubt be ubbed a Cassandra, but "whatever ur individual assessment of the situa- on and of the private sector's future rospects may be, it surely behoves all f us at this time to awaken to realities nd at least to seek to understand the nderlying causes of the changes which ave taken place in government's ttitude and policies towards the private ector and which now threaten its very urvival". Since I have always thought hat just as governments are content to ive from election to election and Finance ninisters from budget to budget, business nen generally are content to live from in- come-tax returns to income-tax returns, am naturally all aglow with enthusiasm for Mr Tata's admonition to the business community to try to look beyond its nose, but, I still think that Mr Tata was only making a convenience of Nehru.

The father, after all, did set out to get political mileage out of such gaseous phrases as "the state capturing the commanding heights of the economy". I could recall for instance the almost childish glee with which Nehru greeted the denouement on that past occasion when, after a meandering debate of many days on the draft second Plan, the Lok Sabha adopted, on a snap amendment of a Congress MP, a "socialist pattern of society" as the country's goal. Avadi, after that, was clearly predictable and I would urge on Mr Tata to consider the possibility that the decline and fall of the mixed economy, like the decline and fall of the Roman empire, is not something that is accomplished by a single ruler or during a single reign.

Had there been no Mrs Gandhi, the business community, I believe, would have invented one. Indeed, it is getting to be such that more time, thought or energy is being spent on securing her presence on business platforms than on making the occasions themselves reasonably meaningful. Again, having got her to attend or inaugurate, there seems to be no end to the extent business leaders would go to demonstrate their gratitude. The other day, at the annual meeting of the Associated Chambers of Commerce and Industry of India, for instance, the outgoing president, Mr N.S. Bhat, after requesting the prime minister to inaugurate the session, presented her with a large basket of flowers in the manner, as he put it, "of a traditional tribute to a lady". Where a bouquet would do, a floral basket might seem a flourish of extravagance and Mrs Gandhi, who is certainly sensitive to such gestures, perhaps, had this feeling too. In any case, she quickly moved towards the microphone, without giving a chance to the cameras to click for that "group" photo.

Given the desperate desire of business men to have her inaugurate their ceremonial conferences, it is not surprising that the prime minister is found playing hard to get. A couple of years ago, she said at an annual session of the Federation of Indian Chambers of Commerce and Industry that she did not think that it was a good idea at all that the prime minister should be performing these chores as a regular ritual. The suggestion, then, was that she might not be available for the job on the next occasion. But she was and it appeared as if she had relented only as a special favour to the then (outgoing) president of the FICCI, Mr Charat Ram. This year, again, there were alarums and excursions before the more or less predictable happy ending. Mrs Gandhi, it seems, will be duly inaugurating the forthcoming annual session of the Federation of Indian Chambers of Commerce and Industry — this time, perhaps, as a favour to Mr K.K. Birla.

A review in the Delhi edition of *The Times of India* of March 29 of a dance programme, staged in a New Delhi suburb by Indirani Rehman, mentioned that "the programme, for which admission was free, was sponsored by the NPL (National Physical Laboratory) Ladies Club and a commercial organization." The reviewer, then, proceeded to pose the rhetorical question: "If we can have sponsored programmes on the radio, why not on the stage?" It is now my turn to put a question to *The Times of India*. Granted that it is a good idea for commercial sponsors to help staging of free entertainment for the people, why should this newspaper have fought shy of mentioning the name of the commercial organization which had sponsored the programme which had been reviewed on this occasion? *The Times of India*, itself, is perhaps the most commercialized newspaper in the country, which makes it all the more strange that it should have felt so coy. To set the record straight, let me add that the commercial organization, which had sponsored the Indirani Rehman dance programme, was the Continental Device India, Limited.

Mr Mohit Sen, writing recently in *The Economic Times*, has compared himself to "Balaam's ass" starving itself to death through being unable to decide between two bundles of hay. This, indeed, is presumptuousness. One who cannot tell Buridon's ass from Balaam's or *vice versa* must surely be rated simply as a common or garden ass. Incidentally, what has happened to *The Statesman* that it should have quoted Mr Sen in such abundance of blind faith? Some acquaintance with the Bible or English idioms and phrases cannot have become proscribed knowledge for its staff, I imagine. The least that this newspaper could do now is to have a Dictionery of Donkeys compiled for the education of its men (and, I suppose, women).

VB

Man-Made Crisis for Man-Made Synthetics?

V. Balasubramanian

s seldom given to Finance minis- to tax and to please. This, however, uld not encourage cynicism in them only ensure some healthy insulation them from the heat of purely par- n debate. The central excise tax pro- als in the budget of the government India for the year 1975-76 seem to e touched at least two sensitive as of commodity taxation. The first *handsari* and the second textiles. For d or ill *khandsari* has a more or less ective lobby in political circles. Cloth ess happily situated although it is ad- tedly an essential article of mass con- nption. The Finance ministry, evi- tly, has been persuaded that the *andsari* industry deserves some relief m the additional excise taxation pro- sed for it. There are as yet no indica- ns that similar consideration would shown to the textile industry. This rather unfortunate because one im- rtant section of this industry, namely nthetic textiles, seems to have been articularly harshly treated in the cen- al excise scheme of the budget of the vernment of India for 1975-76.

Macabre Humour

Finance ministers, invariably, have een moved to expressions of macabre umour when piling up the tax load on bacco or its products. Over the years has come to be accepted that tobacco a desirable object of heavy or even enal taxation. Although this commo- ity has been taxed again and again ainly for revenue purposes, Finance inisters have been able to attract eneral sympathy for this course be- ause of the consensus in favour of the onsumption of this product being dis- ouraged by all possible means in the nterest of public health. In other words, t is not open to those affected by tob- cco taxation to plead or argue that eavy taxation is depressing the produc- ion or consumption of tobacco pro- lucts, for the ready retort would be hat this is just as well.

Where most other commodities are concerned, however, fiscal policy must necessarily be more constructive and cir- cumspect; there is no question in their case of production or consumption being discouraged. On the contrary, it is generally recognized that, where these commodities are concerned, a healthy balance should be struck between the government's need of revenue and the further growth of production and con- sumption uninhibited by oppressive levels of taxation.

Not an End

Here there is or there can be no real conflict between the interest of the government and the interests of the com- munity. While it is true that govern- ment needs revenue for its functioning and must tax in order to obtain revenue, its taxation policy cannot be narrowly related to the revenue objective. This is for the simple reason that taxation or revenue-raising is not an end in itself but a means to an end, which is the much larger purpose of promoting and the economic stability and growth of the nation which the government's fiscal or more general economic policies must place before themselves. Consequently, except in those rare cases such as that of tobacco, where the public interest could conceivably be served by discourag- ing the growth of consumption, tax pro- posals or measures must necessarily be very carefully examined in relation to their impact on current levels of pro- duction or consumption of those com- modities as well as the further growth of the industries engaged in their manu- facture.

This test is eminently relevant to an assessment of the consequences of the tax proposals in the present central budget relating particularly to that section of the art silk industry which produces synthetic fibres or fabrics of non-cellulosic origin. The manufacture of these textiles was initiated in our country only in 1962, in which year 176 tonnes of nylon filament yarn were pro- duced. In 1965 the output of this product had increased to 1,480 tonnes, while the manufacture of polyester staple fibre was started and a quantity of 1,385 tonnes was produced. The next landmark was in 1969 when polyester filament yarn (204 tonnes), nylon tyre cord (55 tonnes) and acrylic staple fibre (35 tonnes) were produced for the first time in our coun- try. In that year the output of nylon filament yarn had reached a level of 7,892 tonnes and polyester staple fibre 5,737 tonnes. The year 1970 and 1971 saw further expansion and in the latter year the output of nylon filament yarn had risen to 10,530 tonnes, polyester staple] fibre to 5,730 tonnes, polyester filament yarn to 562 tonnes, and the total production of all synthetic fibres to 17,415 tonnes.

Another measure of the progress of this industry and its significance to the textile economy of the country is pro- vided by the statistics of consumption. The quantity of synthetics consumed was 5,400 tonnes in 1966. By 1968 it had more than doubled to reach a level of 11,400 tonnes, and over the next three years it once more increased more than a hundred per cent to a level of 24,000 tonnes. In other words, the consumption of synthetic fibres showed a compound growth rate of as much as 35 per cent during the five years between 1966 and 1971. This strikingly upward trend in consumption had no doubt taken off from a low base, but even so it was quite meaningful in terms of the aggregate growth of demand for all kinds of tex- tiles in the national economy, Whereas to the total demand for man-made fibres, both cellulosics and synthetics, which had increased at 10 per cent compound growth rate, cellulosic fibres had con- tributed at the rate of seven per cent compound growth rate, synthetic had contributed at five times that rate.

A Fast Growing Industry

Production of Man-Made Fibres

(million kgs)

Year	Cellulosic Man-made fibres (Total)	Synthetic fibres (Total)
1962	59·988	0·176
1963	65·331	0·744
1964	73·772	1·175
1965	74·420	2·864
1966	77·894	4·467
1967	88·734	5·495
1968	99·560	9·489
1969	96·691	13·893
1970	101·127	15·854
1971	99·509	17·061
1972	111·870	19·061
1973*	104·892	24·382

* Provisional.

Again in 1966, synthetics were only about 6.5 per cent of the total consumption of man-made fibres, but they were nearly 18 per cent of the total in 1971. Incidentally, the expansion of the man-made fibre industry generally and the rapid growth of the synthetic fibre industry in particular had taken place during a period when the cotton textile industry had been largely stagnant.

The Task Force of the Planning Commission which considered the targets for the development of the synthetic fibre industry during the fifth Plan period found on a careful examination of all the relevant facts of the total textile economy of the country that it would be desirable for the production of synthetics to maintain their relatively faster rate of growth *vis-a-vis* other textile fibres, both natural and man-made cellulosic. The Task Force estimated that the demand for synthetic fibres would go up from a base of about 45,750 tonnes in 1973 to about 136,450 tonnes by 1978-79. While noting that synthetics should expand in all directions, the Task Force held that the demand for nylon filament yarn was likely to go up from about 20,000 tonnes in 1973-74 to 32,000 tonnes by 1978-79 and suggested that a target of 35,000 tonnes should be aimed at for the capacity to be installed in the course of the fifth Plan.

Task Force Figures

The demand for polyester staple was expected to go up from 22,000 tonnes to 60,000 tonnes, and the target for capacity at the end of the fifth Plan recommended in this case was 66,000 tonnes. The Task Force also calculated that the demand for polyester filament yarn would rise to 8,000 tonnes by 1978-79 and suggested that capacity should be created for 9,000 tonnes. The growth of demand for acrylic staple was placed at 15,000 tonnes by 1978-79 and the recommendation in this case was that a capacity of 16,500 tonnes should be installed for this material. All in all the Task Force foresaw the aggregate demand for synthetics of all categories and for various end-uses, including apparel and industrial, rising from an estimated quantity of 45,750 tonnes in 1973-74 to 136,450 tonnes by 1978-79 and, on this basis, it felt that the total capacity in the synthetic fibre industry should be of the order of 150,200 tonnes. Considering that the total production of all synthetic fibres was only about 17,415 tonnes even as late as in 1971, the targets of production capacity favoured by the Task Force for the fifth Plan period were impressive enough,—and they clearly endorsed the importance of the role which synthetics ought to and could play in the nation's textile economy in the years immediately ahead.

Dynamic Force in Textile Economy

Production of Synthetic Fibres

(million kgs)

Year	Nylon Filament	Nylon Staple fibres	Acrylic Staple fibres	Polyester Filament	Polyester Staple fibres	Total synthetic fibres
1962	0·176	—	—	—	—	0·176
1963	0·744	—	—	—	—	0·744
1964	1·175	—	—	—	—	1·175
1965	1·479	—	—	—	1·385	2·864
1966	1·920	—	—	—	2·547	4·467
1967	2·450	—	—	—	3·045	5·495
1968	4·792	—	—	—	4·697	9·489
1969	7·922	—	0·035	0·199	5·737	13·893
1970	9·745	—	0·193	0·585	5·331	15·854
1971	10·296	0·020	0·084	0·532	5·729	17·061
1972	11·729	0·047	—	0·681	6·604	19·061
1973*	11·106	N.A.	—	1·800	11·476	24·382

*Provisional

The progress of the synthetics industry in the early years of the current decade were reasonably in line with these expectations. In the year 1973, for instance, the production of nylon filament yarn was of the order of 13,000 tonnes, polyester filament yarn 1,090 tonnes and nylon and polyster staple fibre 10,500 tonnes. It is probably true that the industry could have made even greater progress had it not been forced to contend with serious raw material problems as well as other adverse factors such as heavy taxation which inhibited the growth of effective demand. Until recently it was totally dependent on import of caprolactum and DMT which are the basic raw materials for nylon and polyester fibre respectively. Since this industry has not been given priority status, it has always been adversely affected by the vagaries of import policy. The position has been made much worse following the canalisation of imports of caprolactum and DMT through the State Trading Corporation. Especially during 1973-74 when there was a squeeze on supplies and also tremendous pressure was exerted on the prices of petroleum-based industrial products in world markets as a result of the oil crisis, the STC was not able to ensure either adequate availability of raw materials or regularity of supplies while thanks to the STC's relative insignificance as a buyer in the international trade in these materials, the Indian consumers had to bear even more than their share of the impact of the sellers' market.

The landed price of caprolactum fluctuated crazily in the wake of the oi[l] crisis which surfaced in the closin[g] months of 1973. From a level of abou[t] Rs 7,000 per tonne imported caprolactum became atrociously expensive touching at one time a figure as high as Rs 41,000 per tonne. The price declined to more reasonable levels in the course of the latter half of 1974 and currently imported caprolactum inclusive of an excise duty of 75 per cent is available at a landed cost of about Rs 13,000 per tonne. Imports, however, are not permitted in the case of nylon yarn spinners.

Meanwhile, production has been commissioned within the country at the plant of the Gujarat State Fertilizer Corporation. The output from this source has been available to the domestic manufacturers of nylon filament yarn from August last year. The GSFC has a capacity of 20,000 tonnes for the production of caprolactum and its actual output is fast moving towards an annual rate of about 16,000 tonnes. There are plans for expanding its capacity. But, even as it is, the commencement of production of caprolactum within the country has very considerably eased the problem of the availability of this raw material.

The GSFC, however has adopted a policy of relating the price of its product to the higher levels of the landed cost, including the import duty at 75 per cent of the imported caprolactum prevailing in the highly artificial conditions of 1973. Moreover, the prompt levy of an excise duty of 50 per cent by the central government has also helped to make indigenous caprolactum highly expensive from the very beginning. Thus, domestic caprolactum cost the industry Rs 36,500 per

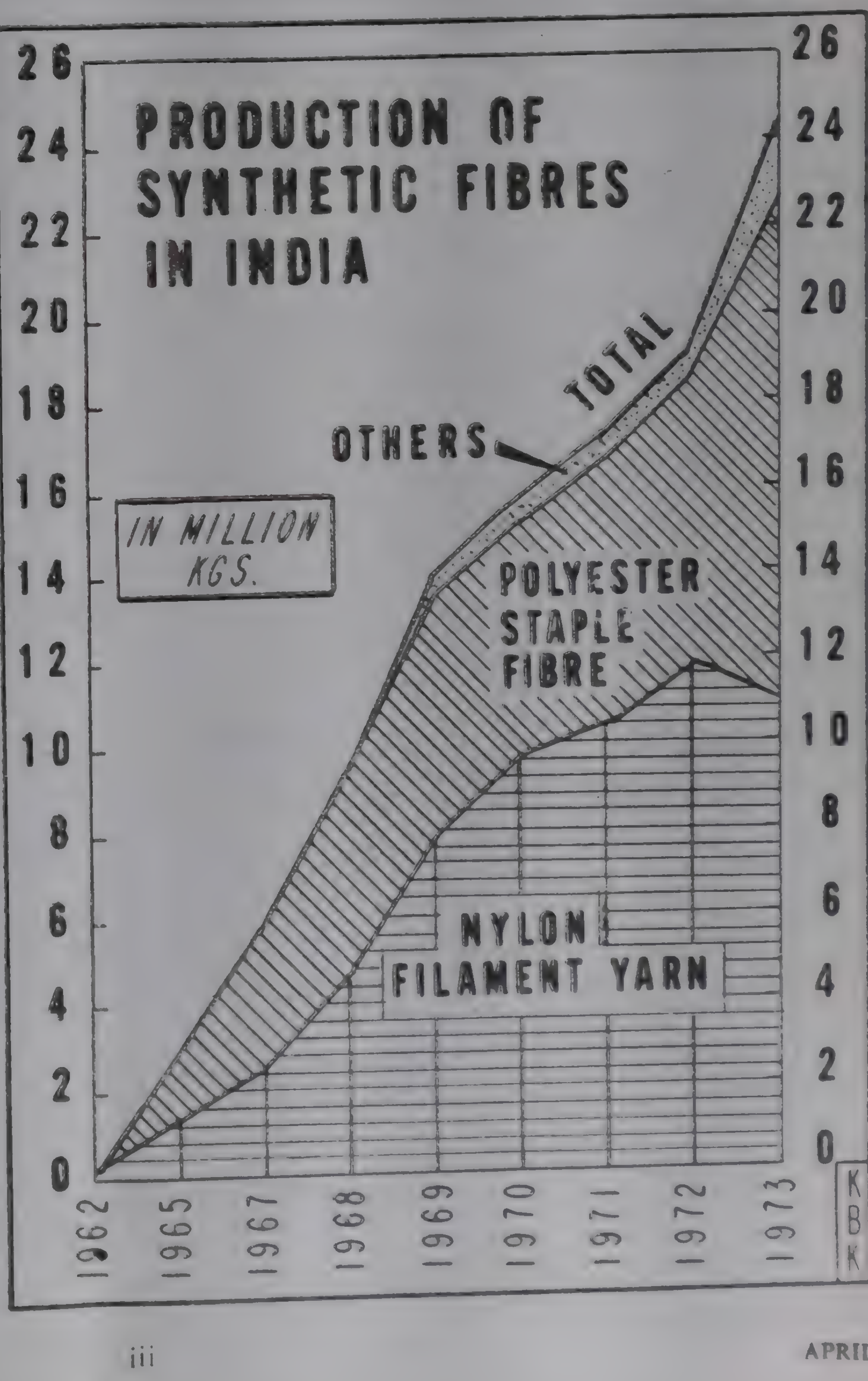
onne in March 1975 and now, even after ome reduction had been agreed to by ne GSFC in its selling price, the cost f this caprolactum comes to about s 34,250 per tonne, exclusive of Central ales Tax, octroi, freight etc. There have lso been substantial increases in the rate f excise duty, the last of them taking ffect from August last year as a result of he supplementary budget of the central overnment. Thanks to the combined ffect of high raw material prices and eavy excise taxation, the products of he industry had been meeting stiff onsumer resistance since the last quarter of last year and the adverse impact of t has been particularly severe on the lecentralised weaving and hosiery sectors.

Their difficulties and distress, moreover, had been aggravated over a period by the traffic in smuggled synthetic yarns and fabrics. The high cost of caprolactum to the domestic industry has put a very attractive premium on smuggling. It has been calculated that the smuggled goods cost the smuggler only about a fifth or even less of the prevailing market prices of domestic synthetic yarns or fabrics. It is not surprising, therefore, that these materials are as popular as or even more popular than gold, watches or electronic goods with smugglers as their preferred stock-in-trade.

No Luxury Product

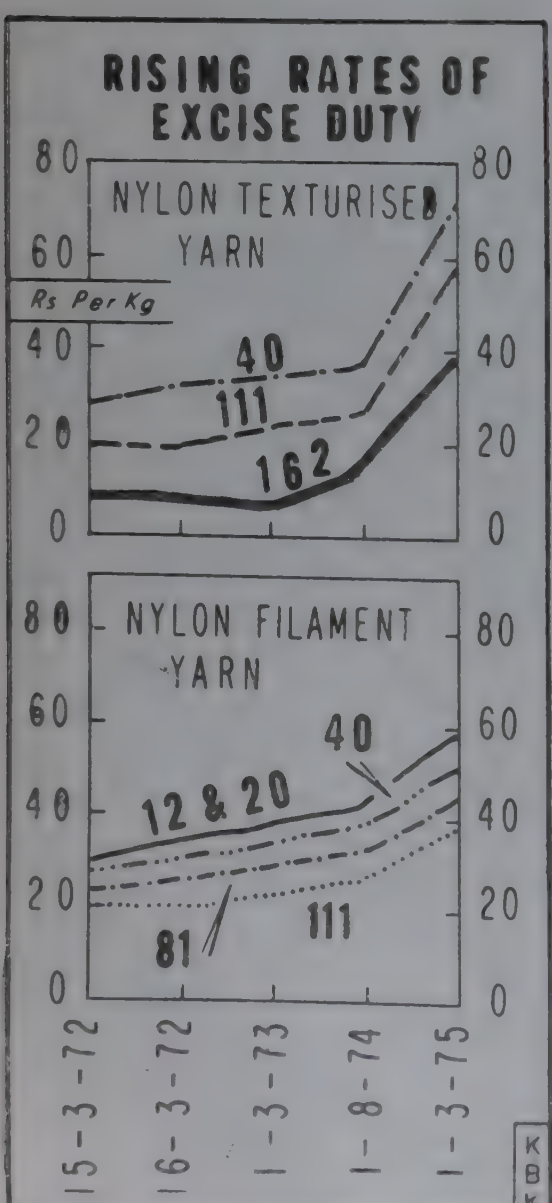
If, in spite of all these handicaps and hurdles the domestic manufacture of synthetics has established itself and developed into a large and dynamic component of our textile economy, it is clearly because it caters for a genuine and growing need of our people for textiles which could meet their clothing needs in a satisfactory manner. Because of their amazing durability, attractive appearance and ease of and economy in maintenance, synthetics have been able to capture a good part of the textile market within a short period, as has been indicated by the survey I have just made of the growth of this industry in our country. It is obvious that this industry could not have grown in this manner if it had been serving only a narrow circle of consumers or catering for a limited luxury market. It is true of course that synthetic fabrics, in certain ranges of their use or application, are relatively more expensive than other man-made fabrics such as rayon or the medium or coarse varieties of cotton textiles, but they are so much more resistant to wear and tear and so very economical in use that they very easily manage to pay for the relatively high initial investment in their purchase.

Market studies have shown that synthetic fabrics are no longer confined to the affluent sections in the cities or even only to urban consumers as against people in the rural areas. With the semi-urbanization of the villages, thanks to improvement in transport and communications and the spread of electricity, farmers are now using some of the gains in their incomes to diversify consumption and improve their standard of living. As a result, especially in the countryside of states such as Haryana and Punjab, synthetics are entering into more or less general consumption. It is no doubt true that synthetics in this country cost considerably more than rayon or less superior cotton textiles, but this is not at all because synthetics are intrinsically expensive material. On the contrary, it is only a combination of almost wholly artificial circumstances which has rendered synthetics relatively expensive for our people. In the first place, the Indian industry has to pay very much more for its raw material such as caprolactum. Secondly the excise duty has been imposed too soo and stepped up too rapidly on what i clearly a young industry. Moreover, whil levying the excise duty, the governmen seems to have assumed that synthetic are a luxury product and proceeded t tax them on that basis. This approach naturally enough, has had exactly th effect of rendering synthetics luxuries even if they need not necessarily be so Finally, struggling as it does with problems of raw material taxation, the industry has not yet been able to reach the optimum scale of operations in its units Whereas in other countries a daily capacity of 100 or even 200 tonnes is of the familiar order of things, in our country units in the synthetics industry have to operate at a capacity of 12 tonnes a day or less. As a capital-intensive high-technology industry, the manufacture of synthetic yarn is capable of achi-



eving tremendous savings in costs with increases in the scale of operations of individual units. This is possible only if, in addition to the assured availability of sufficient raw material the industry enjoys favourable fiscal treatment which would assist in stimulating demand and cultivating potential areas of uses or consumption.

This question of so-called luxury industries seems to encourage a great deal of intellectual confusion and political skullduggery in our country. It is often forgotten that an industry or trade may cater for the relatively more affluent sections of the community and yet may not necessarily be a luxury industry or trade. Take for instance handicrafts. A large number of handicraft products is clearly in the nature of semi-luxuries or non-essential articles of consumption. A good many handicraft products, again, are deliberately designed and produced to cater for the tastes or fashions of the rich or even the very rich. Even utility products of the handicrafts industry are often more expensive than similar or comparable machine-made products.



Figures shown along the curves denote deniers.

Nevertheless, nobody in his senses would argue that handicrafts should be treated as a luxury industry or trade and taxed or otherwise treated on that basis. On the contrary, we are all agreed that handicrafts should be encouraged in every possible manner.

Even within the textile industry itself there are handloom silks. They are naturally expensive and they find regular customers only among the well-to-do. But nobody has suggested that handloom silk industry should be restricted by fiscal or other measures or even that those who use handicraft products or handloom silks should be penalized by high rates of excise taxation. There is of course a sound reason for this approach or attitude. Although handicrafts or handloom silks are generally bought or possessed by the well-to-do, they are manufactured by some of the poorest sections of artisans or craftsmen in the decentralized industrial sector. This, even more than the cultural, artistic or aesthetic aspects of handicrafts, has been responsible for the favoured treatment which these industries rightly receive. There is no reason why the same test or a similar one should not be applied to the eligibility of certain other industries as well for constructive or sympathetic fiscal and other treatment by the government.

In the art silk industry itself, the weaving and hosiery sections are part and parcel of the decentralized sector of the textile economy. Many of the operations in these manufacturing processes are now being carried on as a cottage industry in which entire families are engaged in individually manufacturing units carrying on a whole series of operations under one roof. In places such as Delhi, Ludhiana, Surat and Tirupur thousands of poor families find a livin in the manufacture of woven o knitted art silk fabrics. For many o them a circular knitting machine, whic is operated by a ½ hp motor and which may cost about Rs 10,000 or less to se up, stands in the same relation as a few buffaloes to a small dairy owner or a ca to a taxi driver as a means of livelihood In the hosiery section, particularly, th operations are, to a very large extent, o a purely cottage industry basis.

Taken as a whole, this decentralize sector of woven and knitted art silk fabrics is a highly labour-intensive occupation for a large number of self-employed people who come under the low-income categories of the urban population.

What is Luxury?

If it is accepted that the question whether a certain industry or trade is in the 'luxury' class should be decided in terms of the totality of the consumer needs it serves and the type of employment it provides and the kind of people for whom it is a means of livelihood, it would indeed be difficult to regard the bulk of the art silk industry as a luxury element in our economy, By the same token, it should be easy indeed to appreciate the need for a government policy for the synthetics industry which will help it to realize the investment, production and employment targets which have been recommended for it after careful investigation of all aspects of the textile economy by expert official or non-official agencies or authorities. It is also in this context that the tax proposals of the latest budget relating to synthetic yarns or fabrics may be most objectively and realistically studied.

The first point to note here is that

The Rate of Increase of Basic Excise Duty (Rupees per kg.)

Denier	Rates of excise duty 15-3-72	16-3-72	1-3-73	1-8 74	1-3-75
Nylon Filament					
12 & 20	30	35	38·50	42	58·80
40	28	30	33·50	37	51·80
81	24	25	28·50	32	44·80
111	20	20	23·50	27	37·80
Polyester Filament					
76	20	25	26·90	45	63
152	16	20	21·90	35	49
Nylon Texturised Yarn					
40	28	30	33·50	37	71·80
111	20	20	23·50	27	57·80
162	8	8	7·50	14	39·60
Polyester Texturised Yarn					
76	20	25	26·90	45	83
152	16	20	21·90	35	69

ere has been a dramatic change for e worse in the government's fiscal atment of this industry. Until 1972 e central excise taxation of synthetics d been on the whole moderate and alistic. There was indeed an occasion ring this earlier period when the gov- nment did happen to act without suffi- ent thought, but the authorities con- rned were fairly prompt in retracing eir steps. This was in 1967 when the cise duty on 20 denier nylon yarn was creased at a stroke from Rs 13 per kg Rs 56 per kg. Here was a signal for i enormous increase in the smuggling synthetic yarns and when the govern- ent was made aware of the harm that id thus been caused not only to the dustry but to the national economy as whole, the duty was brought down to s 38 per kg. From 1972 onwards, how- ver, the government's taxation policy eems to have been geared relentlessly o the objective of exploiting the sup- osed revenue potential of this industry ot only to the maximum extent, but even eyond if that were possible. The table on he previous page indicates the rapid pace t which the rate of the basic excise duty n yarn has been stepped up through uccessive increases each of which has een of a substantial nature.

Additional Contribution

In the supplementary budget of July ast year, which was intended to raise nuch-needed revenue as well as streng- hen the government's anti-inflationary programme, the then Finance minister, Mr Y. B. Chavan, thought it fit to com- pel this industry to make an additional contribution to the revenues from this source. Although the increases in the effective rates of duty which he had de- cided upon were obviously meant for re- venue purposes, he attempted to rationa- lise this step by arguing that, since syn- thetic yarn prices had been rising, it was logical to re-adjust the incidence of the specific duty by raising the rates. He, however, conveniently omitted any re- ference to the grounds for the increase in yarn prices. As I had mentioned earlier, the world prices of caprolactum had shot up in the wake of the oil crisis and these prices were also abnormally high for a short period because two major manufacturing facilities abroad had gone out of production as a result of indus- trial accidents. This really meant that Mr Chavan was squeezing the industry by additional taxation precisely at a time when its raw material costs had gone out of control, forcing it to put up the prices of its products.

It is also worth mentioning that, even as Mr Chavan was raising the effective rates of duty on yarns, he was also im- posing a new excise levy of 50 per cent on caprolactum the domestic production of which was just starting. As it turn- ed out, the then Finance minister's justi- fication of increases in the duty on yarn on the basis that the prices had gone up, began to wear thin almost immediately afterwards. Thanks to the general re- cession in the offtake of textiles which developed in the last quarter of 1974, synthetics, because of the high prices due to the high cost of raw material and heavy excise taxation, found themselves particularly vulnerable to consumer re- sistance. There was a veritable slump in the synthetics textiles market and spin- ners were unable to sell yarn at the prices agreed to between them and the actual users.

As a result, since the beginning of this year, the industry was increasingly concerned to persuade the government to examine anew the total incidence of the excise taxation. In the light of the need of spinners and fabric manufacturers to maintain their market—let alone expand it—it was thought that the government could lower the excise duty on caprolac- tum from 50 per cent to 25 per cent which incidentally, would bring it on par with the rate of the excise duty on DMT. In addition, it was hoped that some sub- stantial reduction could be secured in the increases in the rates of duty effected ir the supplementary budget of last year In these circumstances the additional im- posts proposed in the latest central bud- get have naturally come as a bolt from the blue.

The Finance minister, Mr C. Subra- maniam, in Part B of his budget speech, has explained the scheme of his tax pro- posals for the industry. He has said that there is a good case for removing the existing basic duty of 9.5 per cent on pro- cessed art silk fabrics and help the govern- ment to recoup the loss of the revenue from this source by shifting this duty backward to the yarn stage. At the same time he has also said that he is availing himself of this opportunity to get some more revenue from the art silk industry by increasing the rates of duty on yarns to an extent greater than may be needed to offset the loss of revenue due to the abolition of the duty on processed art silk fabrics. According to the calcula- tions of his ministry, the abolition of the basic duty would entail a loss of revenue of Rs 22 crores, while the increases made in the eflective rates of duty on yarns of various descriptions would fetch Rs 49.40 crores, thereby securing a net additional accrual of Rs 27.40 crores. In other words, Mr Subramaniam has

Fabric for Everyman

Every industry has to bear its share of the burden of adverse myth-making. In the case of synthetic fabrics there is some widespread but wildly wrong impression that they are only luxury-wear for the rich. It is true that the more affluent sections of the community have a strong preference for the more expensive descriptions of synthetic fabrics or garments. It is also true that only they can afford them. But what is not true is that the rich alone use synthetic textiles or that all synthetic textiles are priced out of the reach of the general body of consumers. As a matter of fact, the middle class or even the lower middle class consumers in both urban and rural areas are offered at prices they are able and willing to pay a wide range of options in synthetic textiles for regular wear or use on special occasions.

Synthetic fabrics, in fact, are far more economical over the period of their use tha n are cotton fabrics since they last, on an average, three times longer, while calling for lower main- tenance costs. These qualities, combined with their anti-crease and other desirable properties, such as their suitability for varying climatic conditions, have outweighed the disadvantage of the higher costs of initial purchases. This is why the consumption of synthetic textiles has been rapidly growing in our country despite many obstructions to production or consumption. According to a survey made in 1972, the average Indian family spent on all textile fabrics a sum of about Rs 560 of which 39 per cent was on account of synthetics or blends. Even in the case of the lowest income group surveyed, that is, households with monthly incomes of Rs 200 or less, 17.5 per cent of the annual fabric expenditure had been on synthetics. It was found also that synthetic fabrics reached about 70 per cent of all house-holds in India and that 53 per cent of sales of synthetic or blended fabrics was made in the rural areas. The following projections of growth of demand made by the Task Force for Synthetic Fibres are indicative of the potential consumption needs and trends:

	Demand by 1973-74	Demand by 1978-79 (in tons)	Capacity by 1978-79
Nylon yarn	20,000	32 000	35,000
Nylon tyre cord	2,500	11,450	12,700
Nylon industrial yarn	1,000	3,000	3,300
Nylon staple	250	1,000	1,100
Polyester staple	22,000	60,000	66,000
Polyester filament (included in staple fibre)	—	8,000	9,000
Polyester filament industrial	—	1,000	1,100
Acrylic Staple	—	15,000	16,500
Polypropylene etc.	—	5,000	5,500
	45,750	1,36,450	1,50,200

made it clear that he has a two-fold purpose, namely, rationalization combined with additional revenue-gathering.

Framers of budget estimates have generally shown a tendency to underestimate revenue realisations from increases in duties or new duties especially in the field of indirect taxation. In this case, industry circles seem to believe that there has been gross underestimation of the net addition to revenue which may be available from the proposed changes in the scheme of taxation of the industry. In the first place, the excise duty on processed art silk fabrics is not being completely abolished for the Finance minister has stipulated that processed fabrics, the value of which exceeds Rs 15 per square metre, will continue to pay a basic duty of excise although at a lower rate of five per cent (plus an auxiliary duty of five per cent) as against the present rate of 9.5 per cent (plus an auxiliary duty. of 5.5 per cent). It has been pointed out on behalf of the industry that, especially because of the additional excise duties proposed in the budget, a considerable proportion, possibly over 90 per cent, of processed art silk fabrics is bound to be priced at rates exceeding Rs 15 per square metre. This mean that the government will continue to get appreciable revenue under this head. It follows that the government will have to re-examine the rates of duty on yarns in terms of the actual need for recouping such losses as there may really be on account of the partial abolition of the basic excise duty on processed art silk fabrics. This is apart from the very considerable fact that the proposed increases in the rates of duty on yarns would probably yield much more revenue than the government hopes to get from it provided current levels of production or

How Many Golden Eggs Will this Goose Lay?

In the view of the industry the revenue realizations from the budget proposals are grossly underestimated. It is argued, in the main, that not sufficient account has been taken of the increased production which is likely to take place in various branches of the man-made fibre industry, partly due to the foreseeable improvement in the availability of raw materials such as caprolactum and partly on account of additional manufacturing capacity coming into being. The accompanying table summarizes the possibilities of additional revenue realization as visualized by some spokesmen of the industry.

The total revenue from the central excise taxation of the man-made fibre industry (inclusive of both cellulosics and synthetics) at existing rates of taxation would come to Rs 183·40 crores as estimated for the year 1975-76 by the Finance ministry. According to the Finance minister the budget proposals would bring in an additional net revenue of Rs 27·40 crores, which would mean that the total revenue at the proposed post-budget excise level would be Rs 210·80 crores. On behalf of the industry, however, it has been calculated that the total revenue, after allowing for the budget proposals, might be as high as Rs 297·52 crores.

It is therefore contended that the Finance ministry has underestimated additional revenue realizations from the changes in the excise duty by as much as Rs 86·72 crores. Another way of looking at these estimates is that, according to the industry, the total excise burden on the man-made fibre industry would go up from the pre-budget level of Rs 183·40 crores to as high a figure as Rs 297·52 crores, an increase of Rs 114·12 crores or an increase of over 60 per cent. Out of this increase, about Rs 60 crores may be on account of synthetics.

Total Revenue Collection at Post-Budget Excise Rate Applicable on Estimated Production for the year 1975-76

S. No.	Item	Conservative estimated production	Excise rate applicable at post-budget stage	Total revenue expected during 1975/76	Remarks
I	Revenue from Tariff item 14 AA(2)				
	1. Caprolactum	16,000 Tons	Rs 11,500 per M. Ton @ 50% ad valorem selling price of GSFC being Rs 23,000 per ton.	Rs 18·40 Crores	Caprolactum licensed capacity is 20,000 Tons. In fact, GSFC is planning to increase their production over the licensed capacity by 25% i.e. 25,000 tons. However, conservative estimate for the year 1975/76 cannot be in any case less than 16,000 Tons.
	2. DMT	16,000 Tons	Rs 4,000 per M. Ton @ 25% ad valorem selling price of IPCL being Rs 16,000 per ton.	Rs 6·40 Crores	Demand for grants by ministry of Petroleum and Chemicals 75/76 (page 7 para 4.12) has been confirmed before Parliament that production of DMT for the year 1974-75, upto Dec. i.e. for a period of 9 months, was 11,548 M. Tons against annual licensed capacity of 24,000 tons per annum.
	Total revenue from Tariff Item 14 AA (2)—Caprolactum & DMT.			Rs 24·80 Crores	Against budgetary estimate under Tarriff item 14 AA (2) vide Supplementary Finance Bill 1974 of Rs 12·40 Crores.
II	Revenue from Tariff Item 18—(Rayon & Synthetics Fibre & Yarn)				
	3. (a) Nylon Filament Yarn (Excluding tyre cord yarn)	15,500 Tons	@ Rs 50,000 per ton	Rs 77·50 Crores	Import of Caprolactum has already been cleared by Finance ministry for a quantity of about 9000 Tons. Assuming Tyre Cord Production 6000 tons and considering total capacity of caprolactum at 25,000 Tons (indigenous 16000 tons+imported 9000 tons), the minimum production of nylon yarn cannot be less than 15,500 Tons.
	(b) Nylon Tyre Cord	4,500 Tons	@ Rs 6,500 per ton	Rs 2·92 Crores	
	4. Polyester Fibre	14,000 Tons	@ Rs 40,000 per ton	Rs 56·00 Crores	Though there will be an additional Production of DMT out of which 1000 tons are required for different end-uses and considering mixing of Ethlene Glycol and other chemicals, minimum production cannot be less than 14,500 Tons.

sumption are maintained in spite of heavy excise duties.

The Finance minister has argued that s advantageous to shift the duty on cessed fabrics to the yarn stage be- se there is large-scale evasion in the entralized weaving and knitting sec- ns. It is true that this point of view some support in certain sections of industry. In fact, in the period be- e the budget, the recommendation that re should be such a shift of duty had en received by the Finance minister m parties representative of the fabric tor of the industry. As against this, spinners have argued that there is a great deal of logic in retaining the excise duty on the processed fabrics as this helps to distribute a part of the total excise tax burden on the industry among various categories of finished fabrics according to their respective capacities to bear taxation. The Association of Synthetic Fibre Industry, for instance. has pointed out that since fabric prices vary widely even with the same weight of yarn, the reason being that special processing and finishing operations are involved with regard to various types of fabrics, the transferring of the fabric duty to the yarn stage would render the overall duty structure uneven resulting in low-cost fabrics (which have comparatively less excise burden at present) becoming more expensive by way of higher weight of yarn alone. Anyhow, if the fabric duty is only partially withdrawn and is to be continued to be levied on a considerable proportion of fabrics even if at a lower rate, the government's argument about administrative convenience or efficiency would lose force to that extent.

Besides increasing the existing rates of duty on flat yarns, the Finance minister has proposed to bring into the excise

	5. (a) Rayon Filament	36,000 Tons	Last + additional revenue.	Rs 36·05 Crores	As there is no change in total production of 36,000 tons of Rayon filament yarn, the additional revenue is added, i.e. Rs 25·75 Crores + Rs 10·30 Crores.
	(b) Rayon Tyre Cord	16,000 Tons	@ Rs 2500 per ton	Rs 4·00 Crores	
	6. Viscose Staple Fibre	72,000 Tons	No Change @ Rs 1500 per ton.	Rs 10·80 Crores	—
	7. Blended (Spun) Yarn	21,000 Tons	@ Rs 20,000 per Ton	Rs 42·00 Crores	Estimation of Polyester fibre 14,000 tons and 50% is addition by Viscose and cotton fibre quantum of yarn will be 21,000 tons.
	8. Polyester Filament Yarn	2,000 Tons	@ Rs 55,000 per Ton	Rs 11·00 Crores	Total polyester filament yarn production capacity in the country is 2,600 tons. So production estimated at 2,000 tons only.
	9. Acetate Fibre, Acetate yarn, Nylon fibre, Acrylic fibre, Misc. etc.	Approx. pre-budget level production		Rs 3·45 Crores	
	10. Viscose staple fibre yarn	50,000 Tons	@ Rs 3,000 per ton No change.	Rs 15·00 Crores	—
	11. Textured Yarn	4,000 Tons	@ Rs 20,000 per ton	Rs 8·00 Crores	—
	Total revenue from Tariff item No. 18 (Rayon & Synthetic Fibre & Yarn)			Rs 266·72 Crores	
III	Revenue from Tariff item No 22 (Rayon and Artificial silk fabrics)			Rs 6·00 Crores	Budgetary estimate for 1975-76 was Rs 28·00 Crores and from proposal 1975-76 Rs 22·00 crores has been transferred from fabric stage to yarn stage which is included in the total revenue of Rs 49·40 crores.
	Total revenue from Tariff item No 22 (Rayon and artificial silk fabrics)				

NOTE:—1. Due to non-availability of raw materials, production for the period of 1974/75 might have gone down. However, since DMT and Caprolactum are now indigenously available, it should be easy to achieve the above level of production which is conservatively 65% to 70% of the licensed capacity.

2. Above revenue estimates are not inclusive of custom duty and countervailing excise duty which are charged at the time of importing Caprolactum and DMT, Nylon and Polyester filament yarn and wood-pulp.

3. Total pre-budget estimate as per Finance ministry and post-budget estimate based on most conservative production works out as under:—

	1		2	3	4
	Total revenue on-pre-budget level		Total revenue on post-budget excise level (as per budgetary estimation of Finance Ministry, inclusive of the additional proposed taxation of Rs 49·40 Crores	Total revenue which would accrue to Govt on the post-budget excise applicable on most conservative production as estimated above.	Net additional revenue over and above budget estimate of realizations from tax proposals
	(1)		(2)	(3)	(3—2)
(i) Revenue from Tariff Item 14AA (2)-(DMT & Caprolactum).	Rs 12·40 Crores		Rs 12·40 Crores	Rs 24·80 Crores	+ Rs 12·40 Crores
(ii) Revenue from Tariff Item 18 (Rayon & Synthetic Yarn Fibre)	Rs 143·00 Crores	Rs 143·00 + Rs 49·40	Rs 192·40 Crores	Rs 266·72 Crores	+ Rs 74·32 Crores
(iii) Revenue from Tariff Item No 22 (Rayon and Artificial Silk Fabrics).	Rs 28·00 Crores	Rs 28·00 —Rs 22·00	Rs 6·00 Crores	Rs 6·00 Crores	—
	Rs 183·40 Crores		Rs 210·80 Crores	Rs 297·52 Crores	+ Rs 86·72 Crores

net textured or texturized yarn which has hitherto been exempt from duty. Texturizing is a process which helps to build several useful or attractive attributes into synthetic textiles. In technical parlance, the texturizing process takes advantage of the thermoplastic nature of the synthetic fibre to bring about crimps, loops, coils or crinkles into the melt spun filament yarn by suitable machinery which has been specially developed for the purpose. So far as the man-in-the-street is concerned, what texturized yarn gives him is a fabric able to stretch and recover, having increased cover and capacity, smoothness and other surface effect and combining warmth with low-weight. Texturized material, is also non-pilling, free from broken filaments, more durable and non-felting. Because of these properties fabrics made from texturized yarn are suitable for a wide variety of purposes and uses in different climatic conditions.

Popular Process

The texturizing of man-made continuous filament yarn, although a relatively new development in world textile industry, has assumed significant proportions over the last fifteen years. In our country it has been of much more recent origin having been adopted in the late sixties. World production of texturized yarn has increased four-fold in the last decade, and here in India, about a third of our production of multifilament yarn, which is the description suitable for texturizing, is now being drafted into this process. Texturized yarn is being increasingly used for fabrics which have a wide-ranging application, from superior quality apparel to articles of clothing in popular use such as *lingerie* underwear or outerwear.

Under the proposed budgetary dispensation, texturized yarn will have to bear an additional excise duty of Rs 20 per kg over and above the basic yarn duty. This means that nylon texturized yarn of 40 deniers, for instance, will have to bear an excise duty of Rs 71.80 per kg whereas it had to bear only a duty of Rs 33.50 before the supplementary budget of last year and Rs 37 after that budget, these rates being leviable on the basic flat yarn. In the case of polyester texturized yarn of 76 deniers the excise burden will now be Rs 83 per kg as against Rs 26.90 payable at the flat yarn stage before the supplementary budget of last year and Rs 45 after that budget. The Finance minister presumably believes that texturized yarn qualifies for a special new duty partly because an increasing portion of filament yarn produced in the country is being texturized for catering for the growing demand for this improved product and partly because some texturized yarn is being used in the manufacture of double knit fabrics which are relatively high-priced.

As regards the first point, it is worth asking ourselves whether improvements in technology or manufacturing processes relating to a common article of consumption such as textiles should be encouraged rather than discouraged, or discouraged rather than encouraged. This question is particularly relevant to the earlier stages of development of any industry or branch of industry, and in this particular case the Finance minister seems to have been in a hurry to impose a special tax on texturized yarn just at a time when the basic duty on yarn is also

Burden up Five-Fold

The All India Man-made Textile Manufac turers Association, representing the weaving warping, knitting and allied man-made textil manufacturing operations, have indicated to th Finance minister their view that "the argumen that the increase in the basic yarn duty on th pretext that it is being shifted from the fabri stage does not hold any justification because th art silk industry has been paying 15 per cen *ad valorem* in duty on fabrics and the basi yarn duty will impose further financial const raints on the industry for investment for th working capital of the units besides increasing the liability on the interest and waste in th manufacture." If this duty is taken into consideration, the present (i.e. as proposed in the budget) *ad valorem* duty of 10½ per cent on the finished fabric is much more than the 15 pe cent duty originally paid by the industry. Th Association has calculated that, whereas the industry has to pay on a popular variety of fabric Rs 6 per kg at the fabric stage according to the pre-budget situation, the proposed increase in the yarn duty would take the rate to Rs 34 per kg, thereby increasing the burden o taxation by over 500 per cent.

Giving the Dog a Bad Name

It is always tempting to give a dog a bad name if one's purpose is to find an excuse for hanging it. There has been a tendency to create a prejudice against synthetic textiles by labelling them as luxury products. The argument is that they cost much. In fact, they are far from being relatively expensive if the comparison is between them and woollen, silk or even super-fine cotton fabrics which they frequently substitute for. Even otherwise, there is nothing in the nature of synthetics which must necessarily make them expensive. On the contrary, since the manufacture of synthetics is a capital-intensive and high-technology industry, it offers continuous scope for reduction in costs if a favourable environment is created for plant facilities to expand to economic size and for research and engineering to keep going after improvements in processes and products. Even as it is, what prevents synthetics from costing less than they do is a combination of high raw material prices and rising rates of excise duty. The following table gives details of the high proportion of the excise duty element on yarn to the ex-factory selling price of yarn:

Percentage of excise duty in the sale price of nylon yarn

(Rupees per Kg)

	20 D flat	40 D flat	111 D flat	111 D crimped
Gross current sale price	130·00	125·00	100·00	125·00
Less: Sales-tax and Octroi @ 4 per cent	5·00	5·00	4·00	5·00
Sale price exclusive of S.T. & Octroi	125·00	120·00	96·00	120·00
Less: Excise duty—				
(i) on yarn	58·80	51·80	37·80	57·80
(ii) on caprolactum	13·80	13·80	13·80	13·80
Total	72·60	65·60	51·60	71·60
Net sale price	52·40	54·40	44·40	48·40
Less: (a) Cost of raw material Caprolactum inclusive of waste per kg	27·60	27·60	27·60	27·60
(b) Cost of interest per kg.	10·00	10·00	10·00	10·00
Total	37·60	37·60	37·60	37·60
Net realisation	14·80	16·80	6·80	10·80
Percentage of duty on net sale price	138	121	116	145

ng raised, and the primary raw mate- for the industry, namely caprolac- n has become expensive partly because the excise duty imposed on it. As for argument about fabrics manufactured m texturized yarns being consumed those sections of the community who able to afford higher-priced textiles, has to be pointed out that this is only half-truth. A good part of texturized rns is used in the manufacture of siery and it is a well-known fact that ybody, who finds it necessary to wear pair of socks, whether he is rich or or, would rather go in for nylon socks an for the less expensive cotton socks, mply because one pair of nylon socks ll outlast many pairs of cotton socks. is also true more or less to the same tent that nylon outerwear and other rments are preferred by middle income oups who find them longer-lasting while eing inexpensive to maintain.

Worst Hit Victims

It would also be pertinent to appeal nce again to the fact that, because tex- urized yarns constitute an important aw material for sections of the decen- ralized textile industry which operate n a cottage industry or small-unit basis, would be wrong to regard the produc- on or consumption of garments from exturized yarns as being related to a uxury trade. As a matter of fact, the ection of the community which will robably be the worst hit by the duty proposed to be levied on textile yarn ould well be of the poorer urban families ngaged in the manufacture of hosiery on a cottage industry basis.

Finally, the knitting section would receive another severe blow through the proposed withdrawal of "the existing con- cessions on knitted fabrics." The meaning of this decision is that fabrics manufac- tured on circular knitting machines which have hitherto been exempt from the *ad valorem* duty at the fabric stage, will hereafter have to pay this duty at the proposed lower rate if the value of the fabric exceeds Rs 15 per square metre. I had mentioned already the economic significance for the low-income families in the decentralized knitting sector of the circular knitting machines, which enable them at a moderate capital cost to improve their earnings considerably by catering for the popular demand for several kinds of knitted garments. There is no particular reason why the pre- ferential excise tax treatment so far enjoyed by fabrics manufactured by circular knitting machines should be withdrawn at this time when, at so many other points of excise taxation the fiscal burden on all sections of the industry, and particularly the knitting section is being so very considerably increased. The exemption is reportedly being with- drawn on the ground that double-kniit fabrics manufactured on circular knitt- ing machines fall into clothing material of a relatively expensive kind wnich only the well-to-do sections of the commu- nity can afford. But only less than 10 per cent of the production of circular knitting machines is of double knit fabric.

It is clear that, while the Finance minister has spoken of 'rationalization' when putting forward his tax proposals for the art silk industry, his principal purpose is to gather as much additional revenue as possible. However, even from his point of view, he seems to have gone further than he may have intended. I had mentioned earlier that although the Finance minister had budgeted for a net additional revenue of Rs 27.40 crores only from the revised scheme of taxation he has proposed for the art silk industry, he will probably get a much more substantial amount provided of course, in spite of this heavy taxation, at least the existing levels of production and consumption are maintained. Certain studies have been made in industry circles in this connec- tion and one estimate is that, assuming that the industry is not forced to cur- tail production because of consumer resistance to the higher prices following the increase in excise duties, the addi- tional revenue that may accrue to the government could well be about Rs 87 crores.

It could of course be readily conceded that the government's need of revenue is great and that the country, including even the industries. traders or consumers affected by excise levies, should be pre- pared to show even liberal understand- ing of the government's revenue require- ments. All the same, it is still proper to enquire whether the Finance minister could not have shown some moderation and tailored his budget proposals more precisely so that they could more closely fit the budget estimates of revenue. As it is, he seems to have so lavishly given the benefit of the doubt to the public exchequer that the effect of the tax proposals may be to yield much more revenue than is assumed in the budget estimates provided of course production and consumption are not depressed as a result of the additional taxation.

Out of Context

Again, while framing the tax pro- posals, the Finance ministry is normally expected to give some consideration to the general condition of the economy as well as the particular circumstances of the industries which are selected for fur- ther taxation. It is now generally agreed that the purchasing power of the people has been considerably eroded by the continuous rise in the cost of living. This has led to an obvious recession in the demand for many consumer goods. Whether there will be any improvement in this situation and if so, how soon, cannot now be predicted with any con- fidence. Much will depend upon a good *rabi* crop being succeeded by an equally good or even better *kharif* har- vest. Meanwhile, industries or trades engaged in the manufacturing or mar- keting of consumer goods, the purchases of which could be delayed or deferred, are certainly having serious problems in maintaining their turnover. This is prominently true of synthetic textiles.

Indeed, following the imposition of the supplementary budget of July last, this industry, as I had pointed out ear- lier, had run into a slump. Its efforts to re-adjust the economics of its working

Hard on the Small Man

The small-scale and cottage hosiery manufacturers of Ludhiana, Delhi and Bombay have represented to the Finance minister that the proposed increase in the burden of the excise duty would result in extensive unemployment in their industry. Their memorandum states that hosiery units are basically a cottage industry wherein knitting machines are operated mostly by hand in residential houses where entire families are wholly engaged in this activity. These units range between 5,000 and 6,000 in number and over 200,000 persons, including war widows, are dependent on this industry for their livelihood.

According to the budget proposals for 1975-76, the excise duty on synthetic textured yarn will ranage from Rs 40 to Rs 83 per kg whereas, prior to the budget, the incidence of the duty was from Rs 14 to Rs 45 per kg. This would mean an average increase of over 100 per cent at the pre-budget rates of excise duty. The selling price of popular varieties of nylon textured yarn was approximately Rs 85 per kg during the middle of 1973 but, on account of the increase in the price of caprolactum (on which incidentally an excise duty of 50 per cent was levied in the supplementary budget of last year), and increases in the excise duty on yarn, the present price of these descriptions of textured yarn is about Rs 110 per kg. The cost of the raw material to the hosiery industry has thus increased by about 35 per cent within a short period of eighteen months.

The withdrawal of the exemption on circular knitted fabrics, it is contended, would further add to the cost of the hosiery garments manufactured by the small-scale and cottage industry units. The memorandum points out that, even before the present budget, hosiery manufacturers were finding it very difficult to market their products due to consumer resistance to the prices which had risen on account of the higher cost of raw material and the increased excise duty on yarn imposed by the supplementary budget of last year with effect from August 1974. In fact, although spinners were willing to sell yarn even at prices lower than the agreement prices, the hosiery manufacturers were still not able to buy the yarn because of the recession in the demand for the end-products.

to the high raw material prices and the increased taxation were far from complete when the present budget came forward with proposals for further increases in taxation. In recent months spinners had been negotiating feverishly with the Gujarat State Fertilizer Corporation for a reduction in the price of caprolactum. Their labours have been only marginally successful. Meanwhile, the credit squeeze and the dear money policy of the government have created new financial problems and it has been estimated that the additional interest charges for the industry work out to about Rs 5 per kg. The situation has been further complicated by the reluctance of the weavers, knitters or texturizers to lift yarn lots from spinners. Consequently many of the spinning facilities have been working at reduced capacities, often as low as 50 per cent. Many units in the processing or fabric sections of the industry too are working partially or have even closed down for the time being.

Creeping Paralysis

After the budget proposals have been announced, this paralysis has further spread and deepened. It is reported that about Rs 1.5 crores worth of yarn stocks are blocked with the spinners. Here it is necessary to point out how onerous the financial burden will be on the fabric section if the proposed scheme of taxation is put through. The pre-budget position was that the texturizing, weaving or knitting units would be buying yarn inclusive of the existing duty at the yarn stage, and subsequently the fabric manufacturers would also be paying the existing duty on fabrics at the stage of marketing the finished goods. Under the proposed scheme of shifting the fabric duty backwards to the yarn stage, while increasing the basic yarn duty as well, the Finance minister would be compelling the independent texturizers, weavers and knitters to pay much higher amounts of duty even at the stage of their receiving the yarns for subsequent processing or conversion. This would involve larger amounts of working finance being locked up for a longer period, and especially in the current context of scarce and dear money, this must add ruinously to the financial pressure on the decentralized sector.

It is not attempted to be argued here that the tax proposals, oppressive though their impact is bound to be, would spell the end of this industry; however, there is bound to be dislocation of production or consumption, and this crisis in the affairs of the industry may last much longer than the government may believe it possible or be prepared for. Ultimately, however, the industry may manage to come to term with the fiscal burdens imposed on it but, even on an optimistic view of things, is may be able to do so only at considerable cost to the pace or quality of its further growth.

Here there are some significant points to be noted. The first is that the industry is now in a position to expand at a faster pace than hitherto and thereby meet to an increasing extent the genuine and legitimate demands of people at various income levels for textile fabrics or garments which give a high degree of satisfaction over a wide range of consumer applications or uses. Thanks to the projected expansion of the petro-chemical industry in our country, th domestic production of basic raw ma terials for the synthetic textiles industr namely caprolactum for nylon yarn an DMT for polyester fibre yarn, is going u and will continue to do so. Tne go vernment has been licensing additiona capacities for the manufacture of syn thetic yarns which really means that recognizes the socio-economic need fo the synthetic textiles industry to expan so that it may assist adequately i meeting the growth in the textile re quirements of the people in the comin years. In fact the government seems t be rightly keen on encouraging th handloom sector to enter the synthetic fibre industry in a big way and with thi end in view a new unit for the manu facture of caprolactum is being set u

The Case of the Crimpers

The All India Crimpers Association, Bombay, representing the units engaged in buying flat yarn from spinners and texturizing it before selling it to the weavers and knitters, has made quite a few telling points against the budget proposals, particularly the proposed new levy of Rs 20 per kg on texturized yarn irrespective of the delivered yarn and whether it is produced on low, high or super speed machines.

The price of base yarn varies from denier to denier and from time to time. A study of price movements shows that the difference between the textured and 40 denier base yarn varies from Rs 9.50 per kg to Rs 41.40. This difference provides for the cost of texturizing, winding, wastage, airconditioning, packing charges, interest, an allowance for second quality yarn produced and profit. The weighted average of the differences in the prices of the base yarn and textured yarn of various deniers has been of the order of Rs 23.74 per kg. As against this, the extra burden by way of excise duty on 40 denier textured yarn works out to Rs 31.80. In other words, the additional tax burden proposed in the case of textured yarn is substantially in excess of the difference in prices obtaining for flat yarn and textured yarn.

Secondly, because of the seasonal nature of the demand for the products manufactured with textured yarns, the prices of these yarns have tended to fluctuate widely and, on many occasions, textured yarns have been sold even below the market price of the base yarn itself. For these reasons argues the Association, it would be quite illogical for the government to persist with the levy at a flat rate of Rs 20 per kg on textured yarns in addition to the increase in the excise duty on the base synthetic yarns themselves.

Finally the Association has pointed out that there has always been large-scale smuggling of synthetic textiles, particularly textured double-knit suitings and *saris* manufactured from textured yarns. Smuggling activity has no doubt been curbed to some extent by the drastic measures taken by the government in recent months to deal with big-time operators. All the same, some, perhaps, considerable smuggling continues to be carried on and if domestic cost or price of synthetic yarns and fabrics were to be raised excessively, the smuggling of these materials will certainly be stimulated because of the temptingly high profits that could be made. The increase in the rates of excise duty on base yarn and the imposition of an excise duty on textured yarn may put a premium on smuggling, as will be evident from the following data.

c.i.f. Bmbay price of 75 denier polyester base yarn	**Rs 16.00 per kg**
Customs duty at 120 per cent *ad valorem*	**Rs 19.20 per kg**
Countervailing excise duty	**Rs 63.00 per kg**
	Rs 98.20 per kg

Incidence of total duty on c.i.f. value Rs 82 per kg or about 500 per cent *ad valorem*. (Sales tax, octroi, etc would be extra).

The incidence of the duty on base yarn, which is of the order of 500 per cent, will increase by Rs 20 per kg in the case of textured yarn. This would mean that textiles manufactured from textured yarn, when produced in the country, would cost nine or ten times more than the price at which smugglers would be able to buy these materials abroad for their operations. The margin of profit available to them in this case is thus much more than the margin available in the smuggling of gold, wrist watches or electronic goods.

the cooperative sector. As I had nted out earlier, spinners of synthetic rns have not been able to realize fully economies of large-scale production, important for industries which are of ighly capital-intensive nature, because nning units in our country have only y small installed capacities both in solute terms and relatively to inter-tional standards. As the industry ex-nds in aggregate terms, the units are o bound to grow individually into timum-scale facilities, and this should lp in the realization of savings in sts of production the benefit of which ould ultimately reach the consumers d thereby enable more and more peo-to avail themselves of the advantages what is the most modern of textile brics, namely synthetics.

esearch and Development

Another important aspect of the ossible future this industry could build r itself in favourable circumstances the promotion of Research and Deve-pment. It goes to the credit of the inners of synthetic yarns that, al-ough their industry is only less than n years old, they have already been loughing back a good part of their rnings into Research and Development. other words the profitability of the dustry has been put to constructive se so that the ultimate consumers are a position to gain from the increasing fficiency of this highly technology-con-cious industry. It is worth emphasizing e fact that, after starting as a weaving r knitting operations based on import-d yarns, the industry has developed to a vertically integrated operation omprising the spinning of basic yarns; e processing of specialized yarns and e manufacture of woven or knitted abrics. In this manner it has helped o save foreign exchange particularly y replacing or displacing smuggled yarns r fabrics to a large extent by or with omestic production. The well-equip-ed laboratories and other R & D acilities which the spinning section has et up or helped to set up are continu-usly engaged in developmental work ith regard to processess and products o that this country may keep in step ith others in the further development f synthetic textiles in terms of their ver-atility as well as specific suitability for special applications.

In these circumstances it is surely ecessary for the Finance minister to nsure that his taxation policy for this ndustry does not interfere with its nor-al growth especially as its projected as vell as probable growth in the immediate future should make for a natural increase in excise revenue even at existing rates of taxation. The Planning Commission's Task Force has estimated that the additional excise revenue from the increased production of synthetic fibres and fabrics could well be of the order of Rs 2,000 crores over the fifth Plan period. In this sense the Finance minister may be said to have a vested interest in ensuring that the tax burden on this industry is maintained at a level which not merely permits but encourages this expansion in investment and production to take place.

Again, it is absolutely necessary that the Finance minister should resist the temptation to introduce excessive refinements in the excise taxation scheme having in mind the new levy proposed to be imposed on texturized yarn. This kind of taxation really penalizes progress in research and development and advance in technology so necessary for any new and dynamic industry in this modern age and especially in the highly competitive world of international trade. Although the primary obligation of the industry would always be towards domestic consumers whom it is bound to provide with an adequate supply of constantly improving textile fabrics at prices which activate the need or potential demand into effective demand and actual consumption, we should certainly think in terms of this industry being able to build up exports since it has the potential to be among the world leaders of the synthetic textiles. With the the development of the oil and petrochemical industry in our country, the raw material base will advance progressively. Simultaneously the industry is building up its technological and engineering capabilities and, as a matter of fact one of our leading spinners is setting up a nylon spinning facility in Kenya.

There is, again, a growing fund of research enterprise among the scientists and technicians recruited by and already working for the industry and if their successes in process or product improvement were to attract prematurely the penalty of heavy taxation of improved yarns or other sophisticated lines of manufacture, a tremendous disservice will be done to the R & D forces in the industry. For all these reasons I would urge that the Finance minister should give up the proposal to levy a duty on texturized yarn or to withdraw the cash concessions now available to knitted fabrics.

As regards the rates of basic duty on yarn, seeing that the industry has yet to re-adjust its economics to the fiscal

Taxing Growth Does No Good

The point that the growth of the synthetic textiles industry the importance of which has been recognized both at the popular and at the expert levels will be greatly affected if the taxation policy does not assist in encouraging investment in capacity and production, and stimulating demand, is forcefully made in the representation which the Association of Synthetic Fibre Industry has submitted to the Finance minister. The production of raw cotton has been static for some time now at around 6.2 million bales per annum. It has therefore become necessary for the country to import about three million bales involving an expenditure of foreign exchange of the order of Rs 350 crores year after year. Although raw cotton production may increase somewhat in the future, it is obvious that there will continue to be fierce competition between commercial crops and food crops for the available land and other agricultural resources. For this reason several expert bodies appointed by the government of India, such as the Task Force for synthetic fibres and the Development Council for man-made textiles, have recommended that the synthetic fibre industry should be expanded substantially to bridge the widening gap between the demand for and availability of textile fibres.

The Task Force has estimated that the production of nylon and polyester filament yarns should be raised from 17,500 tonnes to 40,000 tonnes during the fifth Plan period. The capital investment required for expansion on this scale would be about Rs 150 crores. In its initial stages the industry no doubt, had experienced a spell of relatively high profitability. This has enabled it to spend liberally on expansion of capacity as well as on the research and engineering needed to achieve continuous improvement in processes and products. In the recent past, however, the earnings of the industry have been squeezed by raw material costs and rising excise duty on the one hand and consumer resistance to higher prices in a buyers' market. As a result, even well-established, leading units in the industry are now moving into a phase of low profitability. It has therefore become essential for these unsatisfactory trends to be reversed so that the industry's earnings may once again be able to provide some of the capital resources needed for its further expansion. Incidentally, if the industry is allowed to grow, the excise revenue from this source would automatically expand faster than the increases secured by oppressive rates of duty on stagnant or possibly declining output. The Association has underlined the need for tax policy being properly related to the necessity of relatively new existing plants being able to recover the depreciation on high-cost fixed assets and the encouragement which entrepreneurs must have for going ahead with new projects.

burdens imposed on it by the supplementary budget of last year, it would only be fair and reasonable for the Finance minister to give up the changes in the structure of the rates of taxation proposed in the latest central budget and restore the *status quo ante*.

Given the increases in duty which came into force from August 1, 1974, and the prospects of the industry consolidating itself and moving towards a phase of growth after stabilizing its market conditions, the Finance minister should be able to rely on considerable additional revenue accruing to the government even at existing levels of taxation. Indeed, the chances of additional revenue realization are dimmer with increases in the existing fiscal burden on the industry for, if the budget proposals are finally adopted in their present form, they might aggravate and prepetuate the recessionary conditions in the industry. This will have an adverse effect in many ways and one of them could be a loss in the revenue which the government expects from this industry. The worst sufferers, however, would be the artisans in the decentralized sector who are clearly the least able to bear any furth fiscal burden on their families' means livelihood.

An eminent political scientist h remarked that the power to tax cou often prove to be the power kill. The case for moderation and ci cumspection in taxation could not ha been more effectively put. Let the Fi ance minister by all means use taxatic as a pruning knife, but let him n allow this instrument to turn in h hands into a destructive axe laid at th roots of this industry's potentially dyn mic future.

Union Excise Duties

As proposed in the budget for 1975-76

Serial No	Tariff Item No	Commodity	Unit	Rate of duty: Existing	Rate of duty: Proposed	Estimated additional revenue in one full year (Rs lakhs)
1.	18*	Rayon and synthetic fibre and yarn including textured yarn, etc.				4940
		(i) Fibres and yarn, other than textured yarn—	Kg	Rs 60·00	Rs 85·00	
		(ii) Textured yarn	Kg	....	The duty for the time being leviable on the base yarn, if not already paid, plus rupees twenty per kg.	
		Effective Rates				
2.		(a) Polyamide (nylon) yarn—				
		of and above	below	(Rs per Kg)		
		—	35 d	42·00	58·80	
		35 d	80 d	37·00	51·80	
		80 d	110 d	32·00	44·80	
		110 d	150 d	27·00	37·80	
		150 d but not above 750 d		14·00	19·60	
		above 750 d		6·50	No change	
		(b) Polyester yarn—				
		of and above	below			
		—	30 d	55·00	77·00	
		30 d	75 d	50·00	70·00	
		75 d	100 d	45·00	63·00	
		100 d but not above 750 d		35·00	49·00	
		above 750 d		15·00	No change	
3.	22*	Art silk fabrics @				—2200

*Rationalisation with revenue significance

@(i) It is proposed to exempt completely from basic duty of excise, processed art silk fabrics whose value does not exceed Rs 15 per sq. metre. Processed fabrics whose value exceeds Rs 15 per sq. metre will pay basic duty of excise at 5 per cent as against the rate of 9·5 per cent.

(ii) All processed fabrics, irrespective of value, will continue to pay the present additional duty of excise (in lieu of sales-tax) and Handloom cess.

BOOKS BRIEFLY

Role of farm pricing in economic growth

Reviewed by

Academicus

ricultural Price Policy in Economic Development: Rajbans Kaur; Kalyani Publishers, Delhi; Pp 110; Price Rs 22.50.

verty and Supply of Wage Goods in Tamil Nadu: M. Ramamurthy; Madras Institute of Development Studies; Pp 115; Price Rs 20.

lia's Strategy for Industrial Growth — An Appraisal: H.K. Paranjape; Gokhale Institute of Politics and Economics, Poona; Pp 40; Price Rs 5.

Study of Agricultural Finance with Special Reference to the Role of Nationalised Banks in South Kanara (India): Professor Dr. R.C. Agrawal; Pp 222; Price not given.

L. Mehta Commemoration Volume: Edited by S.L.N. Simha; Institute for Financial Management and Research, Madras; Pp 160; Price Rs 35.

anagement in India—New Perspectives: S.K. Roy; Meenakshi Prakashan, Delhi; Pp 187; Price Rs 30.

HAS now been well recognised that gricultural price policy is a potent tool r reshaping the allocation of resources nd distribution of income both within griculture and between agricultural and on-agricultural sectors. Also in an ecoomy like that of India which suffers om chronic shortage of foodgrains, agriıltural price policy can be employed to rotect the consumers against unduly igh prices of foodgrains and the proucers against loss of income resulting om market imperfections and fluctuaons. What is more important, a well hought out agricultural price policy can lso provide leverage for economic growth hrough its favourable impact on the inensity of resource-use and the generation f surpluses for capital formation in the ountry.

In recent years a vast amount of literaure has appeared on Indian agriculture nd yet it must be said that *Agricultural Price Policy in Economic Development* is a orthright and brilliantly written study by Rajbans Kaur which makes a significant ontribution to literature on Indian agriulture and agricultural policy.

After introducing the major objectives f agricultural price policy in India, the uthor has examined the response behaiour of agricultural poduction and maret surplus to changes in prices of agriculural commodities. The book contains a liscussion regarding elasticities of supply of individual products and of aggregate production at a priori and empirical level. The author then proceeds to analyse the alternative methods of price support ranging from import regulation, organisation of marketing and deficiency payments to buffer stocks, input subsidies and agricultural price guarantees — all in the context of low-income countries. The author has also analysed different criteria for fixation of support prices and the peculiar problems of agricultural export-oriented economies. The author has rounded up the analysis and discussion by an exposition and assessment of the agricultural price policy in India since the advent of economic planning in the country.

ad hoc policies

What has the author to say on the agricultural price policy in India? Well, according to her up to 1965, India's agricultural price policy mainly comprised "short term *ad hoc* measures adopted hastily to meet the exigencies of particucular situations as and when they developed." Further, since the policy measures were generally adopted only after the event, they inevitably suffered from an element of time-lag and hence failed to make the desired impact. Such for example was the fate of the schemes of rationing, of public distribution, procurement and of price support operations before 1965. Unfortunately no attempt was made between 1951 and 1965 to formulate a clear cut long-term policy with clearly defined objectives and to evolve a permanent machinery for its implementation.

The setting up of the Agricultural Prices Commission in 1965, according to the author, is a watershed in the development of agricultural price policy in India. It marks the beginning of a more meaningful, stable and comprehensive price policy, though we have yet (i.e. in 1975) "to go a long way before we can reach our desideratum of evolving a balanced and integrated price structure in respect of the overall needs of the economy and with regard to the interests of both the producers and consumers."

curbing foodgrain prices

According to the author, in the present situation of persistent excess demand and dizzy prices, the immediate concern of the price policy should be to keep the prices of foodgrains within reasonable limits, as ever-rising foodgrain prices have a direct impact on the cost of living in urban as well as rural areas. Inflationary pressures in India cannot be contained unless a direct and frontal attack is made on the prices of foodgrains.

The government has adopted a number of restrictive and socialistic measures since 1965, such as maintaining a public distribution system, restrictions on interzonal movements of foodgrains, compulsory procurement at below market prices, partial take-over of wholesale trade in foodgrains (later abandoned), levies on traders and producers and building up of buffer stock.

Having critically analysed the above various measures adopted since 1965, the author has shown how they were doomed to failure from the very start. The author has also analysed the various possible alternatives open to the government to achieve the objective of stabilising foodgrain prices. The author has rightly come to the conclusion that there appears no alternative to graded compulsory levy on primary producers. Obviously the

government is either less than dishonest in trying to build a so-called socialistic structure of foodgrains distribution without the solid foundation of the graded compulsory levy, or it is naive enough to hope that such a public distribution system can be built and maintained without that foundation. The evident possibility is that the first alternative is true. With the existing class structure in the legislature, it is no wonder that food has got mixed with politics and while lip sympathy is being paid to the hungry masses and a show is made of government earnestness to remove the travails and agonies of the poor people, steps are taken at the same time to see that the interests of the Indian kulaks which have been dominating the Indian political scene since independence are adequately secured and maintained.

This book by Rajbans Kaur is certainly one of the remarkable ones on the subject, going as it does to the root of the matter tearing away logically and ruthlessly the facade which the government is trying to erect in the name of agricultural price policy. The book is a must for all students of the Indian economy.

Anatomy of Poverty

Poverty has become the most popular subject these days to write about and the various aspects of the problem of poverty are being analysed and discussed both from macro and micro angles. *Poverty and Supply of Wage Goods in Tamil Nadu* is a brief monograph about the anatomy of poverty in Tamil Nadu and an action programme to counter the poverty there.

Poverty is defined as (a) the deprivation of the minimum food consumption which for Tamil Nadu is equivalent to about 2,400 calories per person per day, and (b) the absence of the minimum monthly expenditure to meet the minimum physical and non-physical needs which is Rs 38.75 per person per month in the rural areas and Rs 54.49 per person per month in the urban areas of Tamil Nadu, at 1969-70 prices.

On this specific and limited definition of poverty in Tamil Nadu, applying the definition based on calories, Tamil Nadu state as a whole stands last among the 15 states of India, with a per capita intake of only 1,468 calories. It has been found that 46 per cent of the rural population comprising 12.67 million people and 37. 30 per cent of the urban population comprising of 4.28 million people do not have nutritionally adequate diet. What is agonising is that the situation is worsening. From the mid-1960s, both the costs of the diet and the number of those who could not afford it have both been increasing, thanks to the inflationary syndrome and the stubborn population expansion in the state.

On the basis of the second poverty indicator i.e. the minimum budget, the picture is even worse. On the basis of per capita expenditure for meeting the minimum needs, 73 per cent of the rural population and 71.1 per cent of the urban population in Tamil Nadu fell below that norm in 1969-70. This means 20.35 million of rural people and 8.36 million of the urban people in Tamil Nadu are unable to spend the minimum budget. This implies that an overall 72.9 per cent of the Tamilians live below the poverty line. The stark fact is that mass poverty in Tamil Nadu has been increasing by about 25 per cent annually during the last decade.

identifying poor

The author then turns his attention to the identification of these poor who represent about 16 million on the basis of the first indicator and about 28 million on the basis of the second. Who are these wretchedly poor? The author has identified these people as comprising all farmers who cultivate less than 2.5 acres of land, all agricultural labourers and all other workers who are generally engaged in the unorganised sector. These poor are to be found in the rural areas of North Arcot, South Arcot, Dharmapuri, Salem, Thanjavur, Ramanathapuram, Tiruchirapalli and Madurai. The urban poor are located in Madras, Chingleput, Coimbatore, Tirunelveli and Kanyakumari.

According to the author, the eradication of this poverty which happens to be one of the aims of the state plan and of the fifth five year Plan involves action on three fronts — the production front, the consumption front and the redistribution front. What is to be noted is that increase in production will not by itself lead to increase in consumption by the poor as is proved indubitably by our experience of the four five year Plans. Also, as an increase in the production of luxury apartments, air conditioners and high quality fabrics will leave them where they are, it is increase in foodgrains, cloth, edible oil, sugar and housing materials which the consumption model of the poor calls for. But even a fundamental change in the production model of the country from the production of goods for elite classes to the production of goods of mass consumption by itself will not improve the lot of the poor unless the problem of redistribution of income is successfully tackled. What needs to be worked out are the policy instruments to realise the targets of equitable distribution. How is the transfer of resources from the rich to the poor to be effected? Taxation is an uncerta instrument as only about 12½ per cent our total tax revenue arises from dire taxation. Further, employment generatio programmes in the fifth Plan as also tho proposed in this monograph to assi small and marginal farmers will only i crease the income of the poor sector b only about half of what is targetted in th fifth Plan which has only a fairly mode target in view. This means the other ha will have to be made available to the poo as a subsidy of some kind and it is to th issue that the monograph has mainly ac dressed itself. Also, instruments must b worked out by which consumption of th highest quintile or decile can be r strained.

The author has dealt in this monograp with only one aspect of anti-poverty pro gramme — that of providing wage good such as coarse grains, standard cloth, edi ble oil, sugar etc. to the very poor, es pecially to the bottom three deciles o the poverty sector. The author's pro gramme is (1) to counter the price in flation of wage goods which wipes out an increase in their real income, and (ii) t supplement their income by a system o subsidy of the prices of wage goods. Suc a programme presupposes that the govern ment will increase its procurement of thes goods to about 80 per cent of their out put, that it will develop a statewide net work of ration shops and fair price shop and that it will make an effort to mobilis adequate financial resources necessar to operate the programme.

enormous problem

Since the subsidy for lifting the entir poverty sector above the poverty lin would require an enormously big amoun of Rs 500 crores per annum, the autho has suggested a limited programme o helping only the bottom 12 per cent o the rural poor and 11 per cent of th urban poor. This would cost about Rs 11 crores per annum.

This is a commendable attempt to suggest a concrete programme of action fo the government which has been makin pronouncements about the eradication o poverty in the country. The problem however is not whether there are adequat financial and real resources in the countr or not and how to mobilise them, bu whether the government has the will to execute the programme of eradicatin mass poverty. In fact, the poor in the country were never so wretched as since the garibi hatao pronouncemen days! Economists like M. Ramamurth have done their job by writing about eco nomics of poverty. It is high time som

dy writes about the politics of verty.

Industrial Growth

Gokhale Institute of Politics and Economics, Poona, has been arranging every ar since 1937 Kale Memorial Lectures to delivered by some eminent scholars om the field of social sciences. The le Memorial Lecture of the year 1974 s delivered by H. K. Paranjape. The stitute has printed that address in the rm of the booklet under the caption *dia's Strategy for Industrial Growth—An ppraisal.*

H. K. Paranjape begins by tracing the olution of industrial policy and strategy ice before the days of India's independence. He has shown how the public secr in India gradually developed especially ice the second five-year Plan and the avails and turmoils through which it s been going. He has explained how en at present the organisational and erational structures of public sector terprises, the personnel steeped in nonevelopmental and non-industrial operations, the environment where performce is the last priority, the legislative ccountability, absence of performance dit, high degree of centralisation of ecisions, inadequate use of modern ethods of project management, delays construction and over-capitalisation — ave all made for gross inefficiency in ost of the public sector enterprises exept in the field of atomic energy where either politicians nor civil servants were llowed to interfere. The overall consequence has been that the strategy to accerate the pace of industrial development y using public sector as an important strument has not fructified. If anyhing, the enormous wastage of resources men and materials all these years has ade public enterprises in India a heavy rag on its industrial progress.

Writing about the private sector, the uthor has been very critical about the dustrial licensing which was brought into orce mainly to ensure that the developent of industry should take place in ccordance with the overall objectives of dustrial development and growth. The uthor has shown how, though industrial censing was expected to ensure developent of priority industries and balanced egional industrial development, the licensing system has just failed to achieve ose and other objectives for which the ystem was set up. Nothing different rom what actually happened in the priate corporate industrial sector could ave been expected considering the way he industrial licensing system has been perating since its inception. The wonder is that it has not resulted into greater damage to the private sector!

The author has also examined the government of India's strategy in respect of foreign capital and has shown how that has also resulted in innumerable collaboration agreements with well known foreign concerns in respect of various consumer articles which could have been indigenously produced in the process giving much needed encouragement to Indian entrepreneurs and technical know-how.

All this has resulted in extremely low industrial productivity both in the private and public sector due to reasons such as incompetent higher management, absence of appropriate system of incentives (specially in the public sector), multiplicity of trade unions affiliated to various political parties including the ruling Congress party, and so on. Various suggestions for improving the industrial efficiency such as joint sector have proved non-starters.

slip-shod working

The author has hit the nail on the head when he points out that the industrial strategy was not properly thought out, that different parts of the strategy were not properly worked out and coordinated, and that no care was taken to evolve machinery that would implement the strategy. Each part worked in its own compartment without overall guidelines and without caring what the other parts were doing. It is the pure resilience of the industrial community in India that has helped it to survive such an obstructionist mechanism.

What about the prospects of a rational industrial strategy? The author feels that the ruling party that is in power since independence is an 'umbrella party' subject to contradictory pulls and pressures. The result is a kind of increasing paralysis of administration. The author has warned that those in charge of state apparatus understand the implications of the strategy of growth which is suitable to India and try to adopt measures to further it. If this is not done, the author has warned, "increasing difficulties cannot be avoided and one will have to await the organised pressure of masses to bring about a dynamic change in the system."

All that has been said by H.K. Paranjape has already been said umpteen number of times and has been said in a much better, more logical and more forceful way. And yet since the government has been persisting in a pigheaded way in its old strategy in which bureaucracy appears to have vested interests, a that the author has said bears repetition But whether the government that is ridde by contradictory pressures will see th light of the day as the author wants it to is certainly open to doubt. The possibility appears to be, as G. Myrdal has said "...there is quite clearly a possibility o even perhaps a probability that in India . there will be neither much evolution no revolution." The system which the ruling party has built up since independence precludes the possibilities both of evolution and of revolution.

Farm Finance

Since 1962, the Institute of Socio-Economics of Agricultural Development Technical University of Berlin has been taking keen interest in studying problems of agricultural development in developing countries. The institute conducted a study of agricultural finance in the South Kanara district of the Karnatak state. Since for a common farmer in a developing country capital is nearly always the most scarce resource putting a severe limitation on the adoption of new technology which is by and large capital intensive in nature, the importance of this study cannot be overstated. As the availability of credit on reasonable terms and in appropriate quantities is a major condition for rescuing the poor farmer from the clutches of poverty and transforming traditional agriculture, one would naturally be interested in knowing the findings of this study of the South Kanara district located in the south western region of India. *A Study of Agricultural Finance with Special Reference to the Role of Nationalised Banks in South Kanara* (*India*) surveys 200 farmers in Udipi, Puttur and Karkal talukas of South Kanara during the agricultural year 1973-74.

wide variations

It was found that the average size of a farm family in the three talukas varies from 8 to 10 persons, a majority of farmers being in the age group of more than 30 years. There was also seen wide variation in the levels of education among farmers which seems to reflect the adoption of high yielding varieties of seeds and size of cultivated holdings and breeds of cattle. The average size of holdings varied between 2.6 to 6.73 acres. It was found that petty shopkeeping and working as agricultural labourer are important subsidiary occupations of farmers. Surprisingly, dairy ranked last among subsidairy occupations of farmers. Highest percentage of farmers are found having a gross profit between Rs 1,000 and Rs 2,000 per acre from crops, the rate of profit being intimately correlated to the

level of education of farmers. It was found that the largest proportion of farmers in the sample talukas is members of both coperative society and nationalised bank. Of course, Udipi where the Syndicate Bank has its headquarters has comparatively a very large number of farmers who are clients of the commercial bank.

It appears that the first aim of farmers is to be self-sufficient in food crops for home consumption. Only about 32 per cent of the paddy growers are selling paddy and they were seen selling paddy only up to 40 per cent of their total production. The most valuable cash crop in the district is arecanut which is grown in all the three sample talukas. Other commercial crops of the area are coconut and bananas. It is found that the percentage of farmers using fertilisers and pesticides generally increases with the increase in the size of holdings till 10 acres after which it declines. Nearly 70 per cent of the sample farmers were seen utilising irrigation facilities of one kind or another. This, according to the study, reflects the positive impact of financing pump sets. The talukawise distribution of loans, both in terms of numbers and amount, is found to correspond to the economic wealth of the particular region. On an average rich regions get higher amount of credit and poor pockets get less. The study found that the potential of developing a region equally by using funds is under-utilised.

small-farmers' woes

It was found that small farmers get less loans and are at a disadvantage because of the standardization of loan conditions. The policy of giving productivity-oriented loans is of immense help, specially to small farmers. It has made fairly good progress during the last few years. This study found that only the Syndicate Bank and cooperatives practise it fairly extensively, while other nationalised banks still ask for the same traditional securities.

It was found that the productivity-oriented loans are however still conditioned by the economic structure of the farm. In case the crop fails and the farmer needs additional credit, this is given at a higher rate of interest through conversion of short-term loans into medium term loans.

A study of purpose-wise distribution of bank credit reveals that presently loans for crops, land improvement and pumpsets are most important, though they are unevenly distributed. Large farmers have benefited more from all these three types of loans. The distribution of loans will have to be more even, if small farmers are to get their share of benefits out of agricultural improvement and if they are to be made economically viable and are to have economic future. This does not however mean that large farmers should be discouraged in production; they should instead be encouraged to use more of their own resources. Many large farmers with personal funds still regard it more profitable to take loans from banks.

The impact of financing in the district has been, according to this study, very positive as can be seen from the fact that nearly 70 per cent of the sample farmers have been using irrigation facilities of one kind or another. It was however found that small farmers do not have the same capacity as large farmers of absorbing loans. This disadvantage can be and should be decreased by easier conditions of credit to small farmers and very intensive supervision concerning loans and their use by them.

The study has expressed concern that due to anti-inflationary tight money policy, the rates of interest have been rising during the period when all farmers and especially small farmers are in greater need of credit facilities to meet rising costs of fertilisers, pumpsets, pesticides and water. The study has warned that credit to farmers should not be too adversely affected, if agricultural production is to be stepped up.

This is a good micro-economic study containing various details, information and questionraires useful to bank officials lending money to farmers. The praise should be all the greater when it is understood that the study was undertaken by a foreign university. If the nationalised banks are to play a more effective role in lending money, especially to small farmers, such districtwise sample studies must be undertaken by research institutes in India and research wings of the nationalised banks. This study certainly provides an excellent working model for such studies.

Commemorative Volume

As is well-known, G.L. Mehta was an outstanding personality who rendered great public service over a period of about 50 years in business, government, diplomacy and corporate finance. He occupied many positions of eminence with great ability and distinction and set the highest standard of honesty, dedication and public interest. He personified the principel of service to humanity. G.L. Mehta was intimately connected with the Institute for Financial Management and Research of Madras which therefore rightly thought it fit to bring a commemoration volume to honour the memory of their great patron and mentor. *G.L. Mehta Commemoration Volume* contains twenty essays on various topics of interest to G.L. Mehta and are written mostly by persons who had intimate contacts with him.

The volume starts with a brilliant pen portrait of G.L. Mehta by H.T. Parekh who has ably described G.L. Mehta's personal charm, humility, wit, sense of dedication, scholarship, patriotism, fervant faith in democracy and his role as elder statesman in the world of finance and public affairs for our fifty years.

Analysing the system of controls evolved by the government of India, H.V.R. Iengar has posed the question as to whether the existing policy and system of controls will serve the social and economic needs of the country, namely the elimination of poverty in a democratic setup. According to him, the experience during the last few years has shown that this is extremely unlikely and "unless there is a change in policy, leading to substantial lessening of controls over the private sector, there is not much hope for success."

lucid description

K.K. Birla has given a lucid description of the vital role which the Federation of Indian Chambers of Commerce and Industry has been playing all along in the fields of industrial development, export promotion, promotion of agriculture, social welfare and protection of consumer interests. The author has shown how the Federation which is a purely voluntary organisation, has been playing a notable role in creating an enlightened private sector. The author wedded as he is to democratic principles and norms, firmly believes that "in the long run persuasion always yields better results."

L.K. Jha writing 'On being a Diplomat' has laid emphasis on ambassador's ability to project his country's policies not only to the government of the country to which he is accredited but also, especially in a democracy and in a country with a free press, to the people of that country. According to him what matters in an ambassador is "his capacity to be a true representative of his country, his identification with his country's hopes and fears, aspirations and apprehensions."

Writing about the press in free India, V.K. Narasimhan has shown how the press in India has acquitted itself fairly well during the 27 years of freedom when with a single party in power continuous-

has virtually had to function as the opposition party. As the press in moves into the second quarter of areer in free India, it faces many enges and opportunities and it is to en how well or ill it acquits itself.

iting on development banking perspves, William Diamond has emphasise mistaken belief which many people eveloping countries entertain that creation of a development bank will most of the problems of economic lopment." While such financial instins are essential, it should, according ne author, be noted that "encouraget, stimulation and promotion of proive enterprise depend more on the cies governments pursue and the ennment they help create, than on the vities of development banks." The ernment of India with its craze to te new institutions in all fields includ- finance should specially take note of .

.L.N. Simha has given a fairly comhensive account of the role which development banking institutions have been ying in India. P.B. Medhora has exined how G.L. Mehta jointly with H.T. ekh took over the stewardship of the CI in 1958 when it was having its last nce of survival and turned it into an titution which has come to be ranked y high at present both in and outside lia.

ought-provoking article

N.T. Jhaveri's article on "Economic nning in India" is thought proking. Having analysed various ascts of Indian economic planning such strategy of planning, price policy d so on, the author has given eat emphasis on the human factor. nless economic planning generates propriate and adequate responses nong people, planning will remain only paper. Failure to evoke this response nong vast masses of people in India has een the single most important cause of ilure of Indian planning which has unrtunately bypassed the Indian masses ho therefore cold-shoulder the appeals f leaders to offer their cooperation nd voluntary participation.

R.S. Bhatt writing on "Foreign Investent and the Role of Indian Investment entre" has explained how, on the whole, ne Indian Investment Centre has played a seful, if modest part in attracting foreign rivate capital into the country, in promong technical collaboration agreements nd joint ventures within the ambit of goernment plans and policies. He believes hat since India has accepted the concept f mixed economy, the Indian Investment Centre can definitely make a valuable contribution.

Writing on the functioning of the corporate sector in India, S.A. Murali Prasad has drawn attention to the fact that the overall profitability of the corporate sector is not wholly satisfactory even though there is some improvement in recent years and that companies in India have generally been following conservative dividend policies and ploughing back substantial portion of the after-tax profits.

Altogether it is an extremely educative volume which the editor of the Institute for Financial Management and Research of Madras has brought out. Some exceptionally good publications (some of which are already reviewed in these columns) are already to the credit of the Institute. The publication of this volume has added one more feather to its cap.

Perspectives in Management

The management movement in India is of recent origin; and yet it appears that its progress from tradition to modernity is fairly rapid, substantial and encouraging. India has recorded substantial progress not only compared to other progressing countries but also compared to perhaps many of the advanced countries of western Europe including England in management education and training, research and management consultancy. It is possible that the progress is rather uneven, that the private sector in India has achieved substantially more progress than the public sector and within the private sector wide differences in managerial ideology and practice are identifiable across industries and firms. And yet aggregatively the progress in management movement has been heartening.

In his book, *Management in India—New Perspectives*, S.K. Roy is of the opinion that there are several disturbing trends in our management movement which must be guarded against, for if the harmful trends persist, they might prove dysfunctional for the total management movement in the country. The author has discussed these trends in detail.

For example, the author is of the opinion that "management movement in India does not often appear to be "Indian" enough. Very often concepts, tools and techniques are sought to be transplanted mechanically, participative management being a case in point. The author firmly believes that the practising managers as also management educators, researchers and consultants must be sensitive to the fact that "what is functional in one setting may even be dysfunctional in another." "The unique features of Indian business must be appreciated. These features might relate to material resources, the social psychological milieu, the total business

environment including government objectives, policy, legislation and government control and of course deep rooted cultural traditions in India." The author has warned that "Without an adequate awareness of these features as they bear on industry, our efforts to induce modernity in management may prove to be futile. One is afraid that in the process we may lose many management concepts and tools that are potentially applicable and useful."

The author has also remarked that efforts in the management field often fall short of consummation. "A bewildering variety of programmes of change have been undertaken in industry which we do not sustain and 'work through' until they are internalised by the organizational systems." The result often is that at the firm level the management often becomes ambivalent and lackadaisical. The Indian management circles must select the management inputs carefully, formulate them adequately, and then work them through until they yield identifiable results.

The author has insisted that the management inputs that we are going to introduce and use must be based on valid knowledge derived empirically instead of on subjective intuition, impressionistic observation, common sense, hearsay and face validity. Unfortunately much of Indian consultancy management at present is characterised by these attributes. Such data-free management techniques cannot and will not take us very far towards modernity in management.

This book which undertakes evaluation of India's progress in the management field and examines its emerging contours represents a valuable effort at introducing modernity in Indian management movement so necessary if the country is to make worthwhile economic progress.

Much of the author's writing is stimulating and stylistically refreshingly new as it does not conform to the formal academic traditions. The book will be of great use to the practising managers as also to students of management science.

Guide to Investors

The Calcutta Stock Exchange Official Year Book 1974: Published by the Calcutta Stock Exchange Association Ltd, 7 Lyons Range, Calcutta 700 001; Pp 925; Price Rs 50.

B. Ganapathy Sarma

The Calcutta Stock Exchange Official Year Book, 1974 gives in one compact volume detailed and up-to-date information about all companies listed on the Calcutta Stock Exchange and also of almost all the leading companies listed on other stock exchanges. In fact the scope and contents of the Year Book have been thoroughly revised and enlarged to meet the increasing requirements of the investing public. Further every effort has been made to furnish all latest particulars so as to enhance the utility of this annual compendium as a reference volume throughout the year.

Within a span of about 900 pages, the Year Book presents details pertaining to the management, capital structure, analysis of balance sheets, and working results of all companies. Besides it gives interesting and quite substantial background materials about all major industries to help assess the prospect of shares in various companies. This apart the Year Book provides particulars regarding central and state government loans, schedule of income-tax, wealth tax, capital gains, estate duty, stamp duty on shares and debentures and a host of other valuable data. In brief, this encyclopaedic work will serve as a source of ready reference and reliable guide to investors and entrepreneurs as well as to anyone seeking quick and authoritative information on company matters.

Books Received

Agricultural Administration in Andhra Pradesh: K. Seshadri; Popular Prakashan Pvt. Ltd, 35 C, Tardeo Road, Bombay-400034; Pp. 302; Price Rs 45.00.

Introducing Economics: General Editor B.J. McCormick; Penguin Education, Division of Penguin Books Ltd, Harmondsworth, Middlesex, England; Pp 766; Price UK £ 2.40.

Foreign Direct Investment in the United States: Opportunities and Impediments: Simon Webley; Published by the British-North American Committee, 6/14 Dean Farrar Street, London; Pp 51; Price £ 0.80.

Completing the GATT: Toward New International Rules to Govern Export Controls: C. Fred Bergsten; Published by the British-North American Committee; Pp. 62; Price £0.80.

India and International Monetary Reform: Ministry of Finance, Dept. of Economic Affairs; Published by Controller of Publications' Delhi 110006; Pp. 215; Price Rs 6.60.

Regional Conference of Principals and Teachers of National Cooperative Training Institutions—Report: Published by the International Cooperative Alliance Regional Office and Education Centre for South-East Asia, 43 Friends Colony, New Delhi 110014; Pp. 40; Price Rs 15.00.

Amalgamation of Primary Agricultural Cooperatives in the Republic of Korea: Lionel Gunawardana; International Cooperative Alliance; Pp. 53; Price Rs 12.00.

Report of the Regional Seminar on Cooperative Member Education and Communication: Published by International Cooperative Alliance; Pp. 132; Price Rs 15.00.

Comprehensive Traffic and Transportation Studies of Greater Bangalore: Published by the Central Road Research Institute, New Delhi-20; Pp. 297.

Careers in Catering and Hoteliering: Published by the Career Study Centre, Central Institute for Research and Training in Employment Service (D.G.E.&T.), Ministry of Labour and Rehabilitation, Govt. of India, Pusa, New Delhi-110012; Pp. 46; Price Rs 0.40.

Careers in Printing: Published by Career Study Centre, Ministry of Labour and Rehabilitation, Govt. of India; Pp. 58; Price Rs 0.45.

Heavy Earth Moving Machinery Occupations: Published by Career Study Centre, Ministry of Labour, Govt. of India; Pp. 30; Price Rs 0.35.

TRADE WINDS

...de Team for Arab ...rld

...CALL for the change in ...government's policy with ...d to foreign share-holding ...acilitate a sizable flow of ... investment in joint in...ial projects in the country, ...e of the major recommen...ons made by the Indian ...strial delegation sponsor...y the Federation of Indian ...mbers of Commerce and ...ustry (FICCI). The dele...on visited seven oil-rich ...tries of West Asia, includ... Saudi Arabia, Kuwait and ...q, and was led by Mr K.K. ...la, President of the FICCI. ...easing their report on the ...r, Mr Birla stated that, the ...abs were not inclined to ex...it India implying that they ...re not interested so much ... management control. It ...recisely to keep under check ... aspect, the government had ...en stressing on minority ...ticipation and dilution of ...eign equity of existing for...gn companies. Since Arabs ...re not keen on this, he saw ... reason why Arab invest...nt should not be exempted ...m regulations regarding ...eign share-holding. On the ...ntrary if exemption was ...nted India could attract ...fficient capital to finance ...rthwhile joint industrial ...ntures.

Two other major recommen...tions relate to strengthening ... the existing organisational ...ucture for promoting larger ...de and industrial coopera...on with countries of this re...on. Mr Birla stated that a ...parate autonomous "Gulf ...onomic cooperation orga...sation" or agency should be ... up as an independent entity ...intly by the government, ...dustry and trade. This agency should serve to bridge the communication gap between the two sides. To complete the work of this agency, a commissioner general for economic and commercial affairs for the Gulf region should be appointed in one of the centrally located areas to take an overall view of the region. The commissioner's main job would be to ensure India's economic presence fully felt.

The existing export strategy for the region is inadequate and should be recast, Mr Birla said. Basically, the stress will have to be on augmenting supplies of goods which find ready market in the region. But ultimately steps will have to be taken to widening the production base. These countries, Mr Birla said were now with their newly acquired wealth, keen on developing infrastructure, diversifying industries and reinforcing agriculture. The corresponding areas of our domestic effort should thus be clearly identified and export surpluses have to be created in India. At the same time existing opportunities should not be wasted. As a gesture of goodwill India's aim should be to feed these markets even at the cost of domestic consumption. The aim of Indian activity should be to win the confidence of buyers in these countries and instil in them the feeling that they could rely on India on a long-term basis.

Mr Birla stated that apart from exploring possibilities of bilateral industrial projects, tripartite arrangements could also be worked out under which the Arab countries could provide the finance in countries such as Egypt and Malaysia, and India could make available capital equipment as well as technical and managerial expertise for speciafied projects. The FICCI president also highlighted the need for pursuing a liberal policy and allow export technically skilled manpower as there is a great demand for them in these countries. Such outflow of labour skills should not be viewed as brain drain. Other suggestions include greater accent on securing turn-key projects and civil construction works through a consortium approach, organisation of industrial exhibition and fairs, liberal visits of businessmen and opening of more branches of Indian banks in these countries.

Steel Production

The production of saleable steel at the five integrated steel plants in the country during 1974-75 was an all-time record for the steel industry. Output increased by 540,000 tonnes over the previous year. The total production in 1974-75 was 4.89 million tonnes, as compared to 4.35 million tonnes in the previous year — representing an increase of 12.4 per cent. The increase in steel production by 12.4 per cent compares favourably with the general increase in industrial production of 3 to 3.5 per cent during the period. In fact, the record steel production in 1974-75 has contributed to raising the All-India Index of industrial production.

The plant-wise production in 1974-75 of saleable steel was under:

(million tonnes)

	1974-75	1973-74
Bhilai	1.693	1.682
Rourkela	0.803	0.736
Durgapur	0.520	0.377
TISCO	1.461	1.200
ISSCO	0.414	0.358
Total	4.891	4.353

The production of steel would have been still higher by 200,000 tonnes but for the reduction in scale of operations during April, May and partly June, 1974 in view of the threatened railway strike which actually materialised in May, 1974.

Royalty on Minerals

The union government has raised the royalty rates for over 30 major minerals with effect from April 1. The old rates had been in force since July 1, 1968. However, there is no change in the royalty rates for manganese ore (which is an export-oriented mineral) and for magnesite and stowing sand. Among the important changes are the following: The rate for limestone has been increased from Rs 1.25 per tonne. (The cement industry is the major user of limestone). The rate for bauxite has been increasedfrom Rs 2.50 to Rs 4.00 per tonne (Bauxie is raw material for aluminium). The rate for gypsum of fertiliser grade has been increased from Rs 1.50 to Rs 2.00 per tonne and for other grades used in chemical industries, from Rs 2.50 to Rs 3.00 per tonne. In the case of mica, which is almost entirely exported the rate for crude mica has been increased from Rs 6.00 to Rs 8.00 per 100 kg. Increases hve also been made in the rates for other types of mica. The rate for zinc ore has been trebled from Rs 1 to Rs 3 per unit per cent of zinc-metal content per tonne of ore and on prorata basis. (The only producer is the public sector undertaking, Hindustan Zinc Limited).

More Industries for Small Sector

The union government has recommended the addition of three more industries to the list of 117 industries exclusively reserved for the small-scale sector. These would be, electric motors up to ten horse power (excluding special types of motors) car radios costing up to Rs 350 and plywood tea chests. The proposals, it is learnt, are pending consideration and approval by a committee headed by chairman of the Bureau of Industrial Costs and Prices, Mr S.S. Marathe. According to official sources, a monthly review of

industries reserved for the small-scale sector will be undertaken by the Development Commissioner's office. Additions and delections in the list will be made in the light of whether these industries have fulfilled the yardsticks for success laid down by the government. The review is a corollary to the recent government thinking that a limit should be placed on the period for which an industry could remain in the privileged list. It has been made clear by recent pronouncements by concerned officials that no industry can claim the right to remain permanently on this list.

World Bank Loan for ICICI

The world Bank has announced their approval of a loan of $ 100 million to The Industrial Credit & Investment Corporation of India (ICICI), a development finance company providing medium and long-term finance to Indian Industry. The ICICI was established in 1955 with the Bank's advice and assistance. This loan, eleventh to be made by the Bank to ICICI, brings the Bank's total lending to ICICI to $ 426 million. ICICI's role is to promote large and medium-seale enterprises primarily in the non-traditional sectors of industry.

As of December 1974, ICICI had approved financial assistance totalling the equivalent of over Rs 5,000 million to some 1,600 projects. Of this ammount, 21 per cent had gone to chemicals and petrochemicals and about 18 per cent for metals and metal products. Estimates are that total exports by ICICI's clients in 1973 amounted to about $ 153 million. ICICI operations have contributed significantly to creation employment. The ICICI expects to commit through June 1977 some $ 143 million ln foreign exchange The Bank loan will meet part of the requirements. The ICICI will raise the balance from other external sources. The Bank loan to ICICI will bear interest at 8½ per cent per annum and will be guaranteed by India. Repayment to the Bank will conform approximately to repayments received by ICICI on its sub-loans financed out of Banks funds, which will not extend beyond 15 years.

Badarpur Thermal Plant

The third unit of 100 MW at the Badarpur thermal plant was synchronised and connected to the Northern Power Grid. The union minister for Energy, Mr K. C. Pant, congratulated the engineers and workers for having brought about this synchronisation within seven months of the second unit. The equipment of the third unit is entirely indigoneus, supplied by Bharat Heavy Electricals Limited. The first two units are generating two million units of power each per day, which is being supplied to Uttar Pradesh, Haryana, Punjab and Chandigarh.

New Zealand Fair

This country will participate in the forthcoming New Zealand Trade Fair at Wellington to be held from August 20 to September 6, 1975. The ministry of Commerce will organise participation in the Fair. The trade between New Zealand and India has been developing at a steady rate. New Zealand offers a large market for Indian products, especially in engineering field. Apart from traditional items such as textiles, jute goods and handicrafts. Participation in this Fair will help the Indian manufacturers and exporters to come in direct contact with the traders of New Zealand and neighbouring countries. The government will extend necessary facilities for the clearance of the exhibits from customs, octroi duty and export control formalities. The Reserve Bank of India will also be requested to release foreign exchange for the participants to attend the Fair for negotiation of on the spot business.

Philips Expansion

The Monopolies Commission has unanimously recommended the approval of the proposal of Philips India Ltd. for expansion of their capacity in the production of general lighting service lamps (GLS Lamps) and fluorescent tube lamps (FT lamps) on condition that the project is made intensively export oriented. It has been recommended that 75 per cent of the additional output arising from the expansion should be exported and that this export should be in addition to the quantity of export which was effected by the company in 1974. This export obligation is to last for a period of ten years. It will be noted that these conditions are much more stiff than the normal conditions laid down by government for what are called export oriented pr
jects; in these the export ob
gation is normally at 60 p
cent of output, and it is val
for a period of five years.

Hindustan Copper

Hindustan Copper Limit
a public sector unit, achiev
new production records duri
March 1975. The company
smelter at Ghatsila produc
223-tonnes of blister copp
during the month the highe
figure for any month so far. T
previous best figure was 16
tonnes during December 197
At Khetri, where the con
pany's new smelter w
commissioned recently, copp
out-put during March crosse
the 1,000-tonne mark for th
first time. Also, copper o

d during the month ed a new record level of 0 tonnes. The previous igure was 62,000 tonnes ved in July 1974.

ard for Stove Design

he minister of Petroleum Chemicals, Mr K. D. viya has asked Indian Corporation, Hindustan oleum Corporation and -Burma Petroleum, oil panies in the public sector, volve and design an effi- and improved kerosene e on the lines of the cook- gas stove which may not be convenient to the sewife but may also eco- ise on fuel consumption. se oil companies are to e from inventors designs models that may be an rovement from the two ex- g types of kerosene stoves he market—the pumping e and the wickstove.

The minister has an- nced an award of Rs 00 to any individual institution for design- the superior kerosene ve that may emerge as a ult of their efforts. Inven- of such a stove is expec- to bring down consump- of kerosene and also eve pressure on cooking- , the demand for which is tstripping supply at pre- t. Some work in this ection has already been dertaken in the research d development division of Indian Oil Corporation.

Diversion of Foreign Equity

The union Finance minister, Mr C. Subramaniam stated recently that the government proposed to pursuade trans-national companies to have a time-bound programme of diversifying their activities in conformity with the national priorities. Mr Subramaniam, who was delivering a valedictory address at the training workshop on the negotiation and regulation of foreign investments, organised, by Indian Investment Centre, stated that the rationale behind this policy was to ensure "stability of expectations" both to this country and the foreign investors on a continuing basis.

The aim of our foreign investment policy, he said, was not to secure at whatever cost, the maximum amount of foreign private capital that could possibly come to India, but to attract foreign assistance in those areas where we need it for technological development. Elucidating this, the finance minister said that at present India did not look upon foreign investment as a resource to balance tbe payments but as a means to improve our exports and as a vehicle for the transfer of such technology which could not otherwise be secured on outright purchase or on royalty basis. But even in such cases, he said our effort was to keep the foreign equity participation on minority basis, while in exceptional cases. a majority equity participation was not ruled out. The other plank of the country's policy towards foreign investment, Mr Subramaniam said was emphasis on increased exports by the foreign concerns operating in the country.

Industrial Production of India 1972-1974

onth	1972	1973	1974
nuary	115.7	118.8	117.3
bruary	113.2	112.3	113.5
arch	119.9	120.9	122.1
oril	107.7	107.3	108.6
ay	110.3	109.5	111.7
ne	110.5	110.1	113.7
ly	111.6	114.3	117.9
ugust	112.8	115.8	115.2
ptember	112.7	112.7	114.1
ovember	116.5	118.4	
ecember	120.1	123.5	
nnual verage	113.4	114.5	

Sugar Tariff

The Government of India has decided to reduce the tariff value of free sale sugar with effect from April 1, 1975 from Rs 33o per quintal to Rs 310 per quintal,

Air India Cargo Service

Air-India, for the first time has started two weekly all-cargo services to the west. The Bɔeing-707 13-pallet services to London via middle-east and Europe are to be operated every Wednesday and Sunday and one Boeing 707 flight as through services from London to Tokyo every Thursday. According to the Company, between 1961 and 1971, volume of air cargo carried from India has more than quadrupled. With the present boom in the air cargo traffic, it is estimated that at the prevailing rate of growth India would be exporting 33,500 tons in 1975, 55,000 tonnes in 1978 and 76,000 tonnes in 1980.

Industrial Production

According to the Central Statistical Organisation (CSO), the level of industrial production in the country in September, 1974 rose by 1.2 per cent over the corresponding month of 1972 and 1973.

The index of industrial production in August 1974 stood at 115.2 and that for September of the same year was 114.1 with 1970 as the base year. The September 1974 index showed a rise of 1.4 points over the corresponding month of both 1972 and 1973. The raised index for July 1974 was 117.9. All figures are provisional.

The table alongside gives the of index of industrial production for the period between January 1972 and September 1974.

BHEL'S New Plan

The management of BHEL will soon implement its corporate plan for providing adequate career opportunities to its employees serving in the various units all over India. The integration of operations within the various plants is being done in such a manner as to afford maximum mobility of personnel from one unit to another. The aim of this movement, which will be horizontal as well as vertical, is to further the interests of career development of the personnel. Care is being taken to ensure that employees are not moved against their will.

Names in the News

Mr M. Venkataratnam. IAS, Managing Director, Andhra Pradesh Industrial Development Corporation received an award for the best industrial promotion effort in Andhra Pradesh from Federation of Andhra Pradesh Chambers of Commerce and Industry. The award was presented by Mr J. Vengala Rao, the chief minister of Andhra Pradesh.

The union government granted a month's extension to 6 of the 14 chairmen of nationalised banks, whose term expired recently. This is the second time that the government extended their term. The three-year period of these chairmen expired in December last, when they were given a three-month's extension. The following six chairmen and managing-directors-were given extension till April end: **Mr D. V. Taneja** (Central Bank of India), **Mr V.D. Thakkar** (Bank of Baroda), **Mr V. R. Desai**, (United Commercial Bank) **Mr K.K. Pai** (Syndicate Bank), **Mr P.F. Gutta** (Union Bank), and **Mr G. Lakshminarayan** (Indian Bank). The term of eight other chairmen will expire on different dates latter this year.

COMPANY AFFAIRS

ull Trading

STLESS conditions prevailed share market last week with stricted turnover and narrow ice movements. The union nance minister Mr Subraaniam's statement ruling t any possibility of additional incentives for improving vestment climate subdued arket sentiment. The unrtainty with regard to the eatment of the excess dividend at companies are now peritted to declare over what ey can distribute under the isting ceiling still continues nce the Finance minister has ll to introduce the amendents to the dividend legislaon of which he spoke in his idget speech more than a onth ago. Under these cirmstances, favourable corpote news and the indications official spokesmen of selecve liberalisation and suitble changes in import policy ith a view to accelerating the ace of industrial activity in e economy failed to have any gnificant impact on market ntiment. Operators were not clined to enlarge their comitments because of various nponderables. Hence busiess turnover was extremely mited.

ID-Parry

EID-Parry Ltd is enlarging s manufacturing operations that its resilience may be rengthened and profitability nproved. The company is eeking government's consent or diversifying production at s Ennore factory to manufacure Methanol, STPP etc and or putting up a new unit in a eveloping area in Maharashra for the manufacture of ,000 tonnes of sanitaryware nd the company hopes to eceive the government's appoval in the near future. A letter of intent has also been obtained from the government for increasing the daily capacity of the sugar factory at Nellikuppam to 4,000 tonnes from 2750 tonnes. A good beginning has already been made in the marine products division. It has already obtained a licence to set up marine products processing units and also for import of two trawlers from Italy. Besides it proposes to set up a second unit for the manufacture of animal feeds shortly in Andhra Pradesh. It is also examining a number of other proposals for branching out into new fields of activity. It is also indicated that the scheme for converting the EID—Parry into an Indian company will become effective before long with the necessary clearance from the government and the Monopolies Commission. These were disclosed by the Chairman, Mr R. Venkataswamy Naidu while addressing the annual general meeting of the company.

Notwithstanding the increases in costs all-round that had taken place in 1973-74 and subsequently, the union government has decided not to increase the levy price of sugar either in respect of 1973-74 year or for the ensuing year. The government however, has changed the ratio of levy sugar to free sugar from 70:30 to 65:35 for the 1974-75 season. The increase in the ratio of free sugar can only partially compensate for the extra costs by way of increased cane price, purchase tax, interest charges etc which warrant a substantial upward revision of the levy price. As a consequence of the non-revision of the levy price a large number of factories, according to the chairman, is likely to incur heavy losses on 1974-75 season's production.

The Nellikuppam sugar factory crushed 4.96 lakh tonnes of cane and produced 40,649 tonnes of sugar with a recovery of 8.19 per cent as compared to 4.87 lakh tonnes of cane and 38,290 tonnes of sugar with a recovery 7.86 per cent in 1972-73. The quality of cane was better due to favourable climate conditions and the cane development work undertaken by the factory during the last two years. Production and sales of spirit were satisfactory except that owing to the reintroduction of total prohibition in Tamil Nadu with effect from September 1, 1974, no sales could take place until the state licences were renewed. Production and sales, of chemicals were maintained at a satisfactory level during 1974. Production and sales of ceramics in 1974 recorded an improvement over last year.

Export showed substantial growth and are gaining momentum. Orders have been received and are under process to West Asian countries. Sales of fertilizers were maintained at almost the same level as in the previous year and were on the whole satisfactory. The products of Coromandel Fertilisers were marketed fully and effectively to the extent of availability. All facets of its merchanting and trading activities recorded further progress and maintained their steady growth both in turnover and profits. The selling agency arrangements with Britannia Biscuit Company Ltd, which commenced in 1959 and continued uninterruptedly so far, will cease with effect from April 1, 1975.

The most significant feature of the company's operations during the year ende September 30, 1974 is that n profit before making provisi for taxation at Rs 560.85 lak was the highest recorded so f the comparative figure for t year 1972-73 being Rs 286. lakhs. The profit after tax tion amounted to Rs 159. lakhs as against Rs 111.47 lak in the preceding year. It significant to note that aft making appropriations f dividends etc, the loss carrie forward from the previous yea in the books of the Holdin Company has been complete wiped out. The interim div dend was rescinded for th year. But the directors hav declared a final equit dividend of eight per cent f 1973-74.

State Bank of India

Aggregate deposits of th State Bank of India increase by Rs 493 crores (22.3 per cent in 1974 as compared with R 351 crores (18.9 per cent) i the previous year. This rat of deposit accretion of th Bank was higher than the de posit growth of 12.8 per cen in the case of all schedule commercial banks. Credi expansion, on the other and slackened considerably from Rs 344 crores (27.8 per cent) in 1973 to Rs 182 crores (11.5 per cent) in 1974, in keeping with the regulated credit policy. The growth rate in the case of the Bank at 11.5 per cent was lower than 12.1 per cent for all scheduled commercial banks. Advances to the priority sectors comprising small scale industries and small business finance as well as direct advances to agriculture accounted for 46 per cent of the increase in the Bank's total advances. The net profit after the usual and necessary provisions rose to Rs 4.61 crores from Rs 4.12 crores.

The Bank opened 375 offices during the year as against 250 in 1973. Of the new offices opened in 1974, 234 were in rural and semi-urban areas, 80 at urban and 61 at metropolitan centres. Phased plans for covering the unbanked blocks identified in

the course of detailed state-wise studies were drawn up and, in 1974, offices were opened in 31 such blocks. At the end of 1974 the Bank had 3394 offices in India.

The total direct and indirect finance provided by the Bank to agriculture increased by Rs 52 crores from Rs 125 crores at the end of 1975 to Rs 177 crores at the end of 1974. There was a net addition of 1.73 lakhs farmers' accounts during the year taking the total number of such accounts to 5.58 lakhs at the end of the year. The number of small-scale units financed went up 12,392 to 71,668. The amount of assistance increased from Rs 251 crores at the end of 1973 to Rs 286 crores at the end of 1974. The total credit provided by the Bank to small business increased by 25 per cent from Rs 32 crores at the end of 1973 to Rs 40 crores at the end of 1974, the number of accounts having risen at a faster rate of 39.3 per cent from 69,158 to 96,304 during the same period.

Special emphasis was laid during the year on increasing the lendings to the small business sector in backward states. The bank's employment oriented lendings increased from Rs 63 crores at the end of 1973 to Rs 91 crores at the end of 1974, the number of accounts and the number. of persons employed having gone up from 1.3 lakhs and 2.4 lakhs to 2.1 lakhs and 3.4 lakhs respectively. As at the end of 1974, the bank provided 8,434 persons with financial assistance extending over Rs 5.28 crores in starting new economic activities under the half-a-million jobs programme for the educated unemployed initiated by the government.

The differential interest rates scheme of concessional lending to the economically and socially backward persons engaged in productive endeavours was in operation at 1212 branches of the Bank at the end of 1974. The total advances of the bank under the scheme rose from Rs 3.2 crores at the end of 1973 to Rs 4.5 crores at the end of 1974. The number of accounts also went up from 73,875 to 1,08,411 during the period. Total export credit provided by the bank rose from Rs 150 crores at the end of 1973 to Rs 167 crores at the end of 1974.

As an important development, the bank has been associated with the recent introduction of the buyer's credit scheme in the country. In regard to financing of imports the bank has been closely associated with the financial arrangements for the import of crude oil from Iran and Iraq. Additionally, the bank continued to raise loans in the European money markets to finance the expansion of the national shipping tonnage. The decision to establish a full-fledged branch in Frankfurt was implemented during the year, and the branch has commenced its operations. Approval of concerned authorities has been obtained for the opening of an off-shore branch at Nassau (Bahamas) to provide support to the operations of the New York Branch. Arrangements for the opening of a branch in Dacca are under way.

The Merchant banking division of the bank made further progress during the second year of its operation. Despite tight money conditions prevailing throughout the year and depressed stock market in the latter half of the year, the division successfully floated seven issues. The services of the division were utilised by a few foreign companies desiring Indianisation under the Foreign Exchange Regulation Act 1973. As a measure of decentralisation and also to render better service to a wider spectrum of clientele throughout the country, merchant banking bureaus have been set up for handling these specialised functions at Ahmedabad, Bombay, Calcutta, Madras and New Delhi Local Head Offices.

Philips

The Monopolies and Restrictive Trade Practices Commission has unanimously recommended to the government the approval of the proposal of Philips India Ltd. for expansion of its capacity in the production of general service lamps (GLS lamps) and flourescent lamps (FT lamps) on the condition that the project is made intensively export-oriented. The Commission laid down that 75 per cent of the additional output arising from the expansion should be exported and that this quantum of export should be in addition to the quantity of exports which the company had made during 1974. This export obligation would be binding on the company for the next 10 years. These conditions laid down by the commission are much more stringent than those laid down by government for all export-oriented projects. Normally government insists on 60 per cent of output to be earmarked for exports and such an obligation on the part of a company would be binding on it for only five years.

J. K. Industries

J.K. Synthetics Ltd and Straw Products Ltd. two leading and successful enterprises of the JK organisation, are promoting the J.K. Industries' Rs 25.50-crore tyre and tube venture along with the Rajasthan government. The entire project is being planned and executed in tehnical collaboration with the world renowned tyre manufacturers — General Tire International Company of the USA, who account for nearly 10 per cent of the world tyre production. This will be the first tyre plant in the notified backward area of Kankroli, in the Udaipur district of Rajasthan. Rajasthan is surplus in power and the location moreover will enable the plant to derive numerous concessions. At present there are no tyre plants in the neighbouring states of Madhya Pradesh and Gujarat. Thus the location is ideally suited for the principal marketing centres.

The plant is expected to go on stream by the third quarter of 1976. It will produce five lakh tyres and tubes each annually. Part of the production will be the revolutionary steel corded dial tyres which will be int duced in the country for first time by JKs. To ra part of the resources requi for the implementation of project JK Industries is pected to be in the capi market sometime in Ap Loan arrangements from dian financial institutions a banks have been finalised. T Export-Import Bank, US has also granted foreign cu rency loans.

Mysore Sugar

Mysore Sugar Compan performance during the ye ended June 30, 1974 has be very satisfactory. During t year the factory crush 569. 695 tonnes of cane a produced about 60,000 tonn of sugar with an average rec very of 10.5 per cent as again the previous year's perforn ance when the factory crush 453,119 tonnes of cane and pr duced about 47,375 tonnes sugar with a recovery of 10. per cent. During 1973-74 t turnover exceeded Rs 15 cror which is an all-time high. T working of the distillery du ing the year also was sat factory. The unit produc 1.14 lakh hecto litres of rec fied spirit as against 1.12 lal hecto litres in the precedi year.

The acetic acid pla produced 2152 tonnes of ac tic acid as compared to 14 tonnes in the earlier yea Profit from this unit duri the year was higher by abo Rs 5.7 lakhs when compare with the earlier year. As ci cumstances have not been fa vourable the company h crushed during 1974-75 on 320,544 tonnes of cane an produced about 34,642 tonn of sugar which is far less tha what the company has achie ed in 1973-74. The crushin during 1974-75 stopped o January 19, 1975. Due to th the company has to face a lon off-season period. Regardin the expansion programn the company has come t the last stages and it is hope that the expansion would b completed by the end of Augu 1975 and the company will t

position to crush at the ased capacity of 4500 ton- per day from September

rner Hindustan

our review of the working ts of Warner Hindustan aring on page 717 of the dated March 21, 1975, ence was made to the pany's export perfor- ce. Our observations need e clarified. The position is , in addition to exporting lucts worth Rs 46.53 lakhs arious other destinations, company also exported to al, Sikkim and Bhutan to tune of Rs 6.11 lakhs dur- 1973-74.

lian Aluminium

ndian Aluminium Company made satisfactory progress the implementation of expansion programmes. first of the two pot- ms of the additional 20,000 nes annual capacity smelter ject at Belgaum, which had n completed by the end of 3, commenced production 1974. There had been e delay in completion of second potroom primarily to transport and shipment ilities and it is now expected be ready for commissioning he first half of 1975. Cons- ction work on the related mina plant and other an- ary facilities, including the elopment of the company's xite mines in Maharashtra also progressing. Despite delay in completion it is ected that the capital cost he project will remain with- the original estimate of Rs 1 million. The company plied for industrial licences installation of an extru- n press at Taloja and for increase in the capacity of sheet mill at Taloja and its l plant at Kalwa in April 72. The government's deci- n is still awaited. The com- ny has also submitted a oposal in May 1973 for the oduction of pre-baked car- n blocks used in lining smel- pots at Belgaum. There car- n blocks are now being im- rted and its production at rrent prices will result in an annual foreign exchange saving of over Rs 6 million.

The company faced several difficulties in 1974. Power cuts and interruptions imposed on the smelters reduced metal output by some 33,000 tonnes or one-third of planned production. The prices of raw materials increased to unprecedented levels and all other costs rose very sharply. Sales including excise duty, totalled Rs 673 million in 1974 as compared to Rs 600 million in 1973. Profit before provision for taxes and transfer to development rebate reserve was higher at Rs 60.0 million as against Rs 54.3 million in 1973. The net profit after taxes and development rebate reserve amounted to Rs 34.0 million as compared to Rs 26.4 million in the preceding year.

The under-utilisation of capacity caused by power shortages, sharp escalation in cost of raw materials, freight and labour costs together with increased cost of financing working capital would have depressed 1974 profits below the 1973 level but for certain other factors. First the full impact of raw material price increases was partially postponed as the company follows the practice of charging raw materials to production on the basis of average cost. To this extent, the cost of sales in the accounts for 1974 does not fully reflect the substantial cost increases which took place during the year. Secondly a stringent economy drive was undertaken towards holding down both overhead expenses and outlays on repairs and maintenance. Thirdly the tax provision on the year's profit has been substantially reduced due to the booking of tax holiday reliefs on the original Belgaum project completed in 1969-70.

The directors have recommended a dividend of Rs 0.90 per equity share. The new ordinary shares allotted in 1974 will also be entitled to this dividend, proportionate to the amount paid up on these shares on the date of declaration of dividend. An amount of Rs. 19.1 million has been provided for this purpose.

News and Notes

The proposal for a bonus issue in the one-for-two ratio by **Laxmi Starch Factory** has been turned down by the government as it does not satisfy the profitability test. The company will, however, apply again after its results for 1975 are available.

Hindustan Insecticides Ltd, a public sector unit, has reported a record production of 8246 tonnes of DDT during the year ended March 31, 1975 as against 8179 tonnes in the earlier year. The output of BHC was 2278 tonnes, a new record.

By taking delivery of a newly built tanker at Kobe, Japan, recently the **Shipping Corporation of India** crossed the three-million DWT mark. The modern tanker has been named by the Corporation after Satyamurti, the well-known scholar, statesman and parilamentarian. M.T. Satyamurti is the fifth in the series of six vessels under construction at Mitsubishi Shipyard, Kobe, Japan. By crossing the three-million DWT mark, Shipping Corporation of India as an individual company ranks amongst the largest shipping organisations of the world. Formed in October, 1961, the Corporation has achieved this position within a short span of 13 years.

Mr K. Warner has taken over from Mr H.M. Jackson as the General Manager in India of **Grindlays Bank Limited**. Mr Warner first came to India in the 1940s, and has worked in Gridnlay's offices in various cities, including Bangalore, Bombay, Calcutta, Cochin, Delhi, Kanpur, Madras and Srinagar. With Grindlays, he has also served in Bangladesh, Kenya, Pakistan, the UK and Uganda. He was a member of the Indian Institute of Bankers Council from 1970 to 1973 and has recently been elected as Vice-President of the Bombay Chamber of Commerce .

New Issues

Ellenbarrie Industrial Gases will be approaching the capital market shortly with a public issue of 2,10,000 equity shares of Rs 10 each and 6000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. The company is setting up a plant for the manufacture of oxygen, nitrogen and acetylene gases at Kalyani, West Bengal. The annual capacity of the plant will be one million cubic metres of oxygen and 14,400 cubic metres of nitrogen. The plant is expected to go into commercial production by October-November 1975. The project cost of Rs 1.07 crores will be financed by the share capital of Rs 1 lakhs, term loans of Rs 64 lakhs, unsecured loans of Rs one lakh and loans on deferred payment basis of Rs 1.12 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Peirce Leslie India	September 30, 1974	5.0	Nil
Reduced Dividend			
Saroja Mills	December 31, 1974	Nil	7.0
Ramnarayan Mills	December 31, 1974	12.0	20.0
Balasubramania Mills	December 31, 1974	8.0	25.0
S.K.G. Sugar	June 30, 1974	Nil	7.0
Trichy Steel Rolling Mills	September 30, 1974	7.5	16.0
Yamuna Syndicate	June 30, 1974	12.0	16.0
Associated Rubber			

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the month of November 1974. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expension (SE), Carry on Business (COB) Shifting —and annual installed capacity. Details regarding letters of intent revoked, concelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Gogte Steels Ltd; New India Centre. 17-Cooperage Road, Bombay-I—(Tarapore, Thana, Maharashtra)—High Carbon Wire Rods—40,000 tonnes p.a.—(NA)

M/s Diamond Dies Mfg Corporation, 195, Sankey Road, Upper Palace Orchards, Bangalore-6.—(Bangalore-Karanataka) —Wire Drawing Diamond Dies—5,000 pcs, p.a.—(NU).

M/s N.A. Sirur, Lamington Road, Post Box No 16, Hubli—(Hubli-Karnataka)—M.S. Ingots; Electrode quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading quality Carbon Steels; etc.—18,000 tonnes p.a.—COB).

M/s Oswal Steels Ltd; Oswal Road, Industrial Area-A, Ludhiana.—(Ludhiana-Punjab)—*Steel Castings*—5,000 tonnes; M.S. Ingots; Electrode quality Carbon Steels; cold heading quality carbon steels; 9,000 tonnes p.a.—(COB).

M/s Tara Tin Mfg, 47-Najafgarh Road, New Delhi.—(Najafgarh-New Delhi)—Unprinted tin Containers—700 tonnes p.a; Printed tin containers—250 tonnes p.a.—(COB).

M/s Hindustan Drum & Genl Mfg Co, 2-D, Sukalia Industrial Estate, Sewer Road, Indore.—(Indore-M.P.)—Barrels (210 litre capacity)—130 tonnes p.a.—(COB).

M/s Metal Containers Pvt Ltd; 6-Sarai Mir Khan, Allahabad.—(Naini-Allahabad, UP)—Unprinted Tin Containers—450 tonnes p.a; Printed Tin Containers—1400 tonnes p.a; Tin plate Caps, including bottle caps—10 tonnes p.a; Advertisement tablets, sign plates)—20 tonnes p.a.—(COB).

M/s Forbes Forbes Campbell & Co Ltd; Forbes Bldg; Charanjit Rai Marg. Bombay.—(Bombay-Maharashtra)—Spring Washers—350 tonnes p.a. (COB).

Shri A. Ramamurthy, The Ramamurthy Metals Decorating Industries Pvt Ltd; Janaki Illam, Kamaraj Road, Sivakasi.—(Sivakasi—Tamil-Nadu)—Plain Tin Containers—80 tonnes p.a; Decorative & Printed Tin Containers—130 tonnes p.a; Printed Metal Sign Boards—410 tonnes p.a.—(COB).

M/s Pankaj Iron & Steel Works (P) Ltd; 643, Tiruvottiyur High Road, Madras.—(Madras-Tamil Nadu)—Drums & Containers (Upto 50 litres capacity)—4050 tonnes p.a.—(COB).

Shri Harish Bansal, (M/s Bansal Pipes Pvt. Ltd; 6-Municipal Market, Connaught Circus, New Delhi.—(Alwar-Rajasthan)—Steel Pipes & Tubes—5,600 tonnes p.a.—(COB).

M/s Sekhar Iron Works Pvt Ltd; 55, Chowringhee Road, Calcutta.—(Kamarhatty-West Bengal)—*Steel. Pipes & Tubes* —7,000 tonnes p.a.—(COB).

M/s Western Maharashtra Dev. Corpn. Ltd; 11-MG Road, Indian Red Cross Society Building, III-rd Floor, Poona-1.—(Ahmednagar-Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Forging quality Carbon Steels; etc—18,000 tonnes p.a.—(COB).

M/s Forgings Pvt. Ltd; 12/6, Mathura Road, Faridabad.—(Faridabad-Haryana)—Steel Forgings—580 tonnes p.a.—(COB).

M/s National Steel & Genl. Mills Ltd; 878-A, East, Pa Road, Karol Bagh, New Delhi.—(Ghaziahad-UP)—Steel F gings—3,500 tonnes p.a.—(COB).

M/s Ajay Industries Ltd; 23/24, Radha Bazar Stre Calcutta-1—(Burdwan, West Bengal)—Steel Forgings—7 tonnes p.a.—(COB).

M/s Precision Steel Fabricators (P) Ltd; Jai Bharat Indu trial Estates, Jalhali Camp Road, Yeshwantpur, Bangalore (Bangalore-Karnataka)—*Bright Bars* & Shaftings—1,000 to nes p.a.—(COB).

Sardar Hardial Singh, Managing Director, Shri Ishar All Steels Pvt. Ltd; Vallabhnagar, Indore (MP)—(Indore-Madhy Pradesh)—M.S. Ingots; Electrode Quality Carbon. Steels; For ing Quality Carbon Steels: etc.—28,000 tonnes p.a.—(COB).

M/s Universal Steel & Alloys Ltd; B-82, Himalaya Hous Kasturba Gandhi Road, New Delhi.—(Mathura Road, Farid bad-Haryana)—M.S. Ingots; Electrode Quality Carbon Steel Cold Heading Quality Carbon Steels; Forging Quality Carbo Steels;etc.—28,000 tonnes p.a.—(COB).

M/s Friends Engg. Corpn; 210, Sant Tukaram Road, Iro Market, Bombay.—(Bombay Maharashtra)—Bright Bars Shaftings—1,000 tonnes p.a.—(COB)

Shri V.B. Deshi, 'Deshi Villa', Diwanpura-1, Rajkot-1.—(Modhapur, Rajkot-Gujarat)—Bright Bars & Shaftings—100 tonnes p.a.—(COB).

M/s Bhilai Wires Limited, Industrial Area, Bhilai (Bhila Madhya Pradesh)—Mild Steel Wire—4,500 tonnes; P.C, Wires —4 000 tonnes Cycle Spoke Wires—1,000 tonnes Spring Ste Wire—1,500 tonnes Umbrella Rile Wires—1,000 (COB).

M/s Western Ministil Ltd K. Parikh House, 47, P.D. Mall Road, Bombay.—(Mulund, Maharashtra)—M.S. Ingots; Electrode Quality Carbon Steels; Forging quality carbon steels Cold heading quality carbon steels; etc.—13,000 tonnes.—(COB).

M/s Parasramka Commercial Co. Pvt. Ltd; 135, Biplab Rash Behari Bosu Road, Calcutta-1.—(Salkia, Howrah, W Bengal)—Bright Bars & Shaftings.—1000 tonnes p.a.—(C.O.B.)

M/s Disco Bright Bars, G.T. Road, Ghaziabad,—(Ghaziabad —U.P.(—Bright Bars & Shaftings.—1000 tonnes p.a.—(C.O.B.)

M/s Rockweld Electrodes India Ltd; 2/C, Moores Road Madras-6.—(Ambattur, Madras, Tamilnadu)—Welding Electrodes—145 Million running feet p.a.—(C.O.B.)

Metallurgical Industries (Non-Ferrous)

M/s Madras Aluminium Co. Ltd; 'Jayalakshmi', Race Course, Coimbatore-18.—(Mettur, Salem, Tamilnadu)—Aluminium Rolled Products.—7,000 tonnes p.a. Aluminium Extruded Products.—2,000 tonnes p.a.—(N.A.)

M/s Arim Metal Industries Pvt. Ltd; 23, Convent Rd; Calcutta-14.—(Calcutta-West Bengal)—Non-Ferrous Anodes other than Nickel Anodes—385 tonnes p.a.)—(S.E.)

Fuels

M/s West Bokaro Ltd; 43, Chowringhee Road, Calcutta-16. —(Bihar)—Coking Coal—7,00,000 tonnes p.a.—(S.E.)

Electrical Equipment

M/s Transformers & Electricals Kerala Ltd: Angamally P.O. Ernakulam, Kerala.—(Angamally, Kerala)—*Power Transformers* upto 400 KV—300 MVA. p.a. Current & Potential Transformers upto 400 KV—1000 Bushings & On-load tap chargers—to the extent of captive consumption—(S.E.)

M/s ACC-Vickers—BabcockLtd; Express Towers, 18th Floor, man Point, Bombay.—(Shahabad-Karnataka)—Power Boi- —10 lakh KW p.a.—(S.E.)

M/s Electric Control Gear (P) Etd: Behind Arbhuda Mills Rahhel Road, Ahmedabad-23.—(Ahmedabad-Gujarat)— ulded Case Circuits Breakers—5,000 nos. p,a.—(NA)

M/s Sanaj Semi-Conductors (P) Ltd; 108, Zaveri Bazar, nbay.—(Santa Cruz EPZ-Maharashtra)—Power Devices— ill. pcs. p.a. Integrated Circuits—0.5 mill. pcs. p.a.; As- ply of Semi-Conductors Interated circuits, diodes, transistors ,000,000 nos. p.a.—(NU)

M/s Hind Rectifiers Ltd; Lake Road, Bhandup, Bombay- —(Bombay-Maharashtra)—Silicon Rectifiers Apparatus for lication such as control crane motors and shore to ship er supply—4,500 nos. p.a. Silicon Rectifier Apparatus for ctrolytic Processes such as Oxy-Hydrogen—9,000 MW. p.a.—)

M/s Reed Relays & Electronics India Ltd; 3-A/6, Eldams ad, Madras-18—(Madras-Tamil Nadu)—*Reed Contacts*—3 . nos. p.a.—(NU)

M/s Thyristor Control Pvt. Ltd; Shweta Park, Ahmedabad- -(Gujarat)—Power Control Units—300 nos. p a.; Regulated ver Supplies—50 nos. p.a.; Precision Transducters—25 nos. ; Voltage Transductors—100 nos. p.a.; Control Amplifiers 00 nos. p.a.—(NU)

M/s Ram Kishan Metal Works (Bombay), C-33, Wagle ustrial Estate, Thana—(Thana-Maharashtra)—ACSR/AAC nductors & Wires—500 tonnes p.a.—(COB)

M/s New Bharat Engineering Works (Jamnagar) Pvt. Ltd; dit Nehru Road, Jamnagar—(Jamnagar-Gujarat)—*Diesel ines* upto 15 H.P.—1,350 nos. p.a.—(COB)

Telecommunication

M/s Phillips India Ltd; Shivsagar Estate, Block 'A', Dr. nie Besant Road, Bombay—(Poona-Maharashtra)—Tape corders—20,000 nos. p.a.—(NU)

Transportation

M/s Corona Rim Mfg. Co. Ltd; Model Town, Sonepat— nepat, Rohtak, Haryana)—*Bicycle Rims*—6 lakh nos.—(NU)

M/s Rohtas Industries Ltd; P.O. Dalmianagar, Bihar— lmianagar, Bihar)—Cement Mill Machinery—Rs. 14 lakhs .—(COB)

Machine Tools

M/s The Raymond Woollen Mills Ltd; J. K. Building ugall Road, Ballard Estate, Bombay—(Thana-Maharashtra) Plant & Machinery required for the manufacture of steel es, Hand Tools, Small Tools, etc.—Rs. 50,00,000 p.a.— A)

Agricultural Machinery

M/s Forge & Blower Co., Prop: Laljibhai Jivram Pvt. Ltd; roda Road, Ahmedabad—(Ahmedabad-Gujarat)—*Power iven Pumps* of the size 4"X4".—90,000 nos. p.a.—(COB)

M/s The Metal Rolling Works Pvt. Ltd; 104, Sion-Matunga ate, Sion, Bombay—(Bombay-Maharashtra)—Aluminium eets/Strips/Circles, Blanks, Slugs/Slug Stocks—1,970 tonnes. ss & Copper Sheets/Circles.—30 tonnes p.a.—(NU)

Miscellaneous Industries

M/s Vijaya Foundry, 5-Puliakulam Road. Pappanaickenpala- n, Coimbatore-18—(Coimbatore-Tamil Nadu)—Power Driven ntrifugal Pumps of range upto 4'x4"—5100 nos. p.a.— OB)

M/s Pennwalt India Ltd; Signal Hill Avenue, Tank Road, vari, Bombay—(Maharashtra)—Solid Bowl Centrifugals with Helical Screw which discharges Solids Continuously—24 nos. p.a.—(NU)

M/s Gangappa Cables Ltd; Utpal Road, Hyderabad—(Hyderabad-Andhra Pradesh)—Diamond Wire Drawing Dies.—1,500 nos. p.a.—(NA)

M/s Widia (India) Ltd; 8/9th Mile, Tumkur Rd; Post Bag 2280, Yeshwanthapur, Bangalore—(Bangalore-Karnataka)—Hard Metal & Hard Metal Products including Tungstern Carbide Products and Allied materials, tipped tools including multi point tools and mining tools—1000 tonnes p.a.—(SE)

Industrial Instruments

M/s Bombay Burmah Trading Corpn. Ltd; 9-Wallance Street, Fort, Bombay—(Bombay-Maharashtra)—*Post Office Meters*—1 lakh nos. p.a.—(NU)

Chemicals (Other than Fertilizers)

M/s Mechanical Packing Industries (P) Ltd; Parsi Panchayat Road, Andheri, E-Bombay—(Andhery, Bombay, Maharashtra)—Products out of PTFE resins.—5.5 tonnes p.a. Packing materials such as cloth tape materials, etc.—400 tonnes. p.a.—(COB)

M/s Indecor Laminates Pvt. Ltd; B-45/46, Industrial Estate, Sanath Nagar, Hyderabad—(Sanathnagar, Hyderabad, Andhra Pradesh)—Plastic Laminate Sheets—250 tonnes p.a.—(COB)

M/s Chitpore Golabarl Co. Ltd; 8-Clive Row, Calcutta-1—(West Bengal)—Precipitated Calcium Carbonate—6,600 tonnes p.a. Activated Calcium Carbonate.—3,300 tonnes p.a.—(NU)

M/s The Atul Products Ltd; Atul, Western Railways, Distt: Bulsar, Gujarat—(Atul, Bulsar, Gujarat)—Beta Naphthol—2,000 tonnes p.a.—(NA)

M/s Indian Carbide & Chemicals Ltd; 10-Dover Park, Ballygunj, Calcutta—(Barobli-Orissa)—*Calcium Carbide*—14,850 tonnes p.a.—(NU)

M/s Brijmohan Das Nagery, Nagory Bhavan, Sarafa Road, Gwalior—(Bina-Madhya Pradesh)—Calcium Carbide—14,850 tonnes p.a.—(NU)

M/s Pilichem Private Ltd; Mafatlal House, Backbary Reclamation, Bombay—(Bombay-Maharashtra)—Carbazol Dioxazine Violet Pigments—24 tonnes p.a.—(NU)

M/s Hindustan Lever Ltd; Express Building, Bahadur Shah Zafar Marg, P.O. Box No. 734, New Delhi-1—(Jammu, J & K)—Synthetic Detergents—10,000 tonnes p.a.—(NU)

M/s East Anglia Plastics (India) Ltd: East Anglia House, 3-Camac Street, Calcutta—(Madhya Pradesh)—Phthalic Anhydride—6,000 tonnes p.a.—(NU)

M/s Bharat Pulversing Mills (P) Ltd; Hexamar House, 1074, T.H. Road, Madras—(Madras-Tamil Nadu)—Aluminium Phosphide 60 tonnes p.a.—(NA)

M/s Bharat Pulverising Mills (P) Ltd; Hexamar House, Sayani Road, Bombay-25—(Bombay-Maharashtra)—Aluminium Phosphide—120 tonnes p.a.—(NA)

M/s Mettur Beardsell Ltd; Bombay Mutual Building, 3rd Floor, N.S.C. Bose Road, Madras—(Bombay-Maharashtra)—Large and Medium sized tanks of High Density Polyethylene and Large diameter pipes of High Density Polyethylene.—400 tonnes p.a.—(NA)

Dye-Stuffs

M/s Indian Dyestuff Industries Ltd; Mafatlal House, Backbay Reclamation, Bombay—(Bombay-Maharashtra)—Dyes—180 tonnes p.a.—(NA)

Drugs & Pharmaceuticals

M/s Alembic Chemicals Works Co. Ltd; Alembic Road, Baroda-3—(Baroda-Gujarat)—Sipromide V Tablets—130 Lakh nos. p.a.; Tricobet H—1,850 litres; Alvite Injection—2350 litres.—(COB)

M/s Hoechst Pharmaceuticals Ltd: Dugal House, Backbay Reclamation, Bombay—(Bombay-Maharashtra)—Prenylamine Lactate—800 Kgs. p.a.—(NA)

The Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Ballasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Sodium Cromoglycate B.P. & Formulations based thereon.—200 Kgs. in terms of bulk drugs p.a.—(NA)

M/s Chemical Industries & Pharmaceutical Labs. Ltd; 289, Bellasis Road, Byculla, Bombay—(Maharashtra)—Diazepan—700 Kgs. p.a.—(NA)

M/s Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla. Bombay—(Bombay-Maharashtra)—Metronidazole—12 tonnes p.a.—(NA)

Textiles

M/s Krishna Distt. Cotton Growers Co-operative Marketing Society Ltd; Pamaru, Krishna Distt—(Andhra Pradesh) *Cotton Yarn*—25,000 spindles.—(NA)

M/s E. Sefton & Com. (P) Ltd; Mirzapur (U.P.)—(Mirzapur-U.P.)—Blankets—8 looms.—(SE)

Shri Jitendra H. Dani M/s Dani Wooltex Corpn. 158, C.S.T. Road, Kalina/Santa Cruz, Bombay—(Bombay-Maharashtra)—Woollen Blankets—13 looms.—(SE)

M/s Amritsar Swadeshi Woollen Mills, Ram Tirath Road, Amritsar—(Amritsar-Punjab)—Blankets—10 looms.—(SE)

M/s Woollen & Textile Industries (P) Ltd; Lake Road, Bhandup Bombay-78—(Bombay-Maharashtra)—Shoddy/Woollen & Synthetic Yarn and Mixed Yarn Blankets.—6 looms. p.a —(SE)

M/s Shakthi Sugar Ltd; 72-Sengupta Street, 96, Ramnagar, Coimbatore—(Vellore-Tamil Nadu)—Processing Textile Fabrics—300 Lakhs Metres p.a.—(NA)

M/s Surat Distt. Co-operative Spinning Mills Ltd; Varacha Road, Surat-3—(Surat-Gujarat)—Cotton Yarn—13,640 spindles (capacity after expansion) 38,928 spindles.—(SE)

M/s Karnatak Weavers Spinning Mills Ltd; 299, Basawan, Galli Khasbang, Belgaum—(Karnataka)—Cotton and Synthetic Fine Yarn—25,000 spindles.—(NA)

M/s The Surat District Co-operative Spinning Mills Limited, Nanavarachha Road, Post Box No. 205, Surat-3—Choryasi, Surat, Gujarat)—Cotton Yarn—50,000 spindles.—(SE)

M/s Rajasthan State Industrial & Mineral Development Corporations Ltd; 100, Jawaharlal Nehru Marg, Jaipur—(Alwar-Rajasthan)—Cotton Yarn—25,000 spindles.—(NU)

M/s Jammu & Kashmir Industries Limited, Srinagar—(Anantnag-Jammu & Kashmir)—Cotton Yarn—25,000 spindles.—(NU)

M/s Jammu & Kashmir Industries Limited, Srinagar—(Dari Brahmna, Samba, Jammu, J & K)—Cotton Yarn—25,000 spindles.—(NU)

M/s The Tiruchendur Co-operative Spinning Mills Limited. EE-183, Nazareth/628617, Tiruchendur Taluk, Tirunelveli, Tamil Nadu.—(Tiruchendur, Tirunelveli, Tamal Nadu)—Cotton Yarn—25,000 spindles.—(SE).

M/s Maharashtra State Powerloom Corporation Limited, Near Liberty Cinema, Lotus House, New Marine Lines, Bombay.—(Kolaba-Maharashtra)—Processing the Cotton Textiles—900 lakh Metres. p.a.—(NU).

M/s Dhanalakshmi Mills Ltd; 56, B.S. Sundaram Ro Tirupur-I, Coimbatore.—(Tirupur, Coimbatore, Tamil Nadu Cotton Cloth—144 Automatic looms of indigenous make (NA).

Paper and Pulp

Shri Biswanath Jhunjhunwala, Dena Bank Building, Floor, 16-A, Brabourne Road, Calcutta—(Nadia-West B gal)—Pulp—6,000 tonnes; Wrapping & Packing Paper—6, tonnes p.a.—(NU).

Shri R. L. Goyal, 26, Lloyds Road, Madras-14—(Ranij Walajanpet, North Arcot, Tamil Nadu)—Pulp—3,000 ton p.a: Packing & Wrapping Paper—3,000 tonnes p.a.—(NU)

Shri R.S. Agarwal, c/o M/s Hyderabad Packing Co. Ltd; D-10 & 11, Industrial Estate, Moula. Ali, Hyderaba (Medak, Andhra Pradesh)—Pulp—3,000 tonnes p.a: Pack & Wrapping Paper—3,000 tonnes p.a.—(NU).

M/s Sarvodaya Paper Mills Ltd; Bharaula, Indra Na Delhi—(Sikandrabad, Bulandshahar, U.P.)—Pulp—3,000 t nes p.a; Packing & Wrapping Paper—3,000 tonnes p.a (NU).

M/s Tungabhadra Paper Mills Ltd; 45, Race course Ro Bangalore—(Dharwar-Karnataka)—Pulp—3,000 tonnes; *W ing & Printing Paper*—3,000 tonnes.—(NU).

Shri I. S. Mittal, 29/2, K.H. Road, Bangalore—(Myso Karnataka)—Pulp—10,000 tonnes p.a; Wrapping & Pack Paper—10,000 tonnes p.a.—(NU).

Sugar

The Dakshina Kannada Sahakari Sakhar Karkhana L Mangalore Taluk, Distt: South Kanara—(South Kana Karnataka)—Sugar—1,250 tonnes of Cane crushing capac per day.—(NU).

M/s The Salem Co-operative Sugar Mills Limited, Mo pur, Salem—(Mohapur, Namakkal, Salem, Tamil Nadu Sugar—3,500 tonnes of Cane crushing capacity per day a expansion—(SE).

M/s The Cuddapah Co-operative Sugar Factory Ltd; C dapah, Chennur Luddapah Andhra Pradesh)—Sugar—1,250 t nes of Cane crushing capacity per day—(NU).

M/s The Nasik Sahakari Sakhar Karkhana Ltd; Bha Kali Mandi, Nasik Distt.—(PALSE, Nasik, Maharashtra Sugar—1,250 tonnes of Cane crushing capacity per day (NU)

Fermentation Industries

Shri Varkey George, Managing Director, A. V. George Co. Ltd; Kottayam, Kerala—(Kottayam-Kerala)—Beer—50, H.L.—(COB).

M/s Lilasons Breweries Pvt. Ltd; Industrial Area, Govi pura, Bhopal—(Bhopal-Madhya Pradesh)—Beer—40,000 H p.a.—(COB).

M/s Mercury Brewery Ltd; B-56, Greater Kailash-I, N Delhi—(Kalyani-West Bengal)—Beer—50,000 H.L. p.a. (COB).

M/s M. P. Beer Products Pvt. Ltd; Darwani Hou 12-Palasia, Indore—(Indore-Madhya Pradesh)—Beer—15, H.L. p.a.—(COB).

M/s Jupiter Breweries Inds. Ltd; 109-A/1A, Biplabi Ra behari Bose Road, Calcutta—(Bishnupur, 24-Parganas, W Bengal)—Beer—50,000 H.L. p a.—(COB).

Smti. Reeta Devi, K. T. D, c/o Chisel India Brewer Ltd; 1/2, Lord Sinha Road, Calcutta-16—(Orgram, Burdwa West Bengal)—Beer—50,000 H.L. p.a.—(COB).

Food Processing Industries

M/s Kamla Sugar Mills Ltd; Amaravathinagar, Coimba-re-Coimbatore Tamil Nadu)—Milk Powder—600 M.T.—OB).

Cement & Gypsum Products

M/s Steelcrete Pvt. Ltd; Steelcrete House, 3-Dinshaw acha Road, Bombay-20—(Kurnool, Andhra Pradesh)—*ement*—8 lakh tonnes p.a.—(NU).

Miscellaneous Industries

Shri G. Vinod, 1-75, Chikkadpalli, Hyderabad—(Hydera-ad-Andhra Pradesh)—*Cigarettes*—1,800 Mill. nos. p.a.—NU).

Letters of Intent

Metallurgical Industries (Ferrous)

Shri P. K. Kajaria, 32, Arminden Street, Calcutta-1—Salkia Howrah, West Bengal)—*H. T. Fastners*—30,000 tonnes .a.—(NU).

M/s Sehgal Forgings (P) Ltd; M/s Leader Engineering Work remises, Industrial Town, Jullunder—(Punjab)—Forged Steel Machined Flanges, Rings & Disc.—3,500 tonnes p.a. Bents, lbows, Tees, Reducers, etc.—500 tonnes. Steel Gaskets for ipe fittings.—500 tonnes p.a.—(NU)

Shri Uma Kanta Rathi, c/o M/s **S. N.** Fasteners Ltd; 6-aheed Nagar, Bhubaneswar, Distt: Puri—(Dhenkanal, Orissa) —High Tensile Fastners—11,000 tonnes p.a.—(NU)

Major (Retired) P.K. Ramchandran, 3-Second Cross Road, R.A. Puram, Madras—(Ranipat, North Arcot Distt., Tamil Nadu)—Clossed Die Forgings Alloy Steel Forgings—6,000 ton-es p.a.—(NU)

Shri O.P. Gupta, E/26. E/27, Chikalthana Industrial area, Aurangabad.—(Chikalthana, Aurangabad, Maharashtra)—Alloy Steel Castings including High Alloy Steel Castings—1,000 onnes p.a.—(NU)

Metallurgical Industries (Non-Ferrous)

Shri Ramesh Chandra G. Shah, 225/27, J. Dadajee Marg, Bombay-7—(Mehsana, Ahmedabad, Gujarat)—Aluminium Foils—1,500 tonnes p.a.—(NU)

M/s Bharat Aluminium Co. Ltd; F-41, South Exten., Part-I, New Delhi—(Korba-Madhya Pradesh)—Aluminium Foils—5,000 tonnes p.a.—(NU)

M/s Saru Engg. Corpon. Ltd; Sardhana Road, Near Cantt. Railway Crossing, Meerut—(Meerut-Uttar Pradesh)—Aluminium Foils—1,500 tonnes p.a.—(NU)

M/s R. Sen & Co., Metal Divisions, 13-Camac Street, Calcutta—(Budge Budge Trunk Road, 24-Parganas-West Bengal)—Electrolytic Manganese Metal—1,000 tonnes p.a.—(NU)

Electrical Equipment

M/s Usha Rectifier Corpn. (India) Ltd; 1211, Delhi Mathura Road, Faridabad—(Faridabad-Haryana)—HT & LT Capacitor —40,000 KVAR p.a. Series Reacters—10,000 KVAR p.a. Medium Frequency & High frequency capacitors—15,000 KVAR p.a. Paper Capacitors (for motors, Fans & Tube Lights)—5 lakhs nos. p.a.—(NU)

Shri A.R. Santhanakrishnan "Kumar Kirpa", 62/18. Krithnaswamy Iyer's Avenue, Madras-4—(Madras-Tamil Nadu) —Soft Ferrites—200 tonnes p.a. (NU)

M/s Andrew Yule & Co. Ltd; 3-Clive Row, Calcutta—(Calcutta-West Bengal)—FLP Airbreak Circuit Breakers upto 400 Amps—600 nos. p.a. FLP Air-Break Gate Eng Boxes & Starters upto 250 HP—1,800 nos p.a. FLP Aircooled Signalling & Lighting Transformers—300 nos. p.a. FLP Control Switches—800 nos. p.a. **New Articles** FLP Drill Control Panel—1,200 nos. p.a. FLP 3.3 KV Oil/ Air Break Starters—300 nos. p.a. FLP 3.3 KV Oil/Air Break Circuit Breakers upto 400 Amps—300 nos. p.a. FLP Flame Proof Transwitch Units—100 nos. p.a.—(SE/NA)

M/s Merchants India, Industrial Estate, Bichhia Rewa (MP)—Rewa-Madhya Pradesh)—H.T. Power Capacitors—40,000 KVAR p.a. L.T. Power Capacitors—25,000 KVAR p.a. Higher Medium Frequency Capacitors—20,000 KVAR p.a. Paper Condensors—7,20,000 nos. p.a.—(NU)

Shri A. N. Rajashekharappa, Partner: M/s Vita Food Products. Mysore Road, Bangalore—(Tumkur-Karnataka)—Polycarbonate Film Capacitors—0.001 MF to 1 MF, 100 volts to 450 volts—1 mill. nos. p.a. Polyester Film Capacitors 0.1 150 V. 0.047 MF/250 V/and 0 1 MF/250 V.—3 mill. nos. p.a. Metalised Polyester and Polycarbonate Film Capacitors, 0.01 to 10 MF upto 450—V (Professional grade)—2 mill. nos. p.a. Polyesterene Film Capacitors 10 PF, 6 M to 1 MF upto 450 V. —6 mill. nos. p.a.—NU)

M/s Haryana State Indl. Dev.Corpon. Ltd; S.C.O. No. 4 & 5, Sector-17, Chandigarh—(Haryana)—External Pace Makers —200 nos. p.a. Electrodes—500 nos. p.a.—(NU)

Shri A.M. Parekh, 32, Nicol Road. Ballard Estate, Bombay—(Bhavnagar—Gujarat)—Sapphire Points—30 lakh nos. p.a. Replacement Stylii—15 lakh nos. p.a.—(NU)

M/s Andrew Yule & Co. Ltd; 8-Clive Road, Calcutta—(West Bengal)—*HRCFuses*: 440 V fuses of current rating upto 300 amphs—45,000 nos. p,a. 11 KV Power Potential Transformer Fuses—4,500 nos. p.a. 11 KV Power Fuses Oil Immersed & Air insulated type upto 400 amps for use in 11 KV Switchgear—10,000 nos. p.a. 33 KV PT and Power Fuses—4,000 nos. p.a. 66 and 132 KV Power & PT Fuses—500 nos. p.a. **Lightning Arrestors** (a) 0 to 37 KV Rating—8,300 nos. p.a. (b) 3 to 360 KV rating—300 nos. p.a.—(NA)

Shri Raj Kumar Bhartia, C-8/6, Vasant Vihar, New Delhi—(Maharashtra)—Mica Paper—300 tonnes p.a. Integrated Mica Products—200 tonnes p.a.—(NU)

Shri H.S. Desai, c/o M/s Indo-Orient Agencies Pvt. Ltd; Merchant Chambers, 41-New Marine Lines, Bombay—(Maharashtra)—Mica Paper—300 tonnes p.a. Integrated Mica Products—200 tonnes p.a.—(NU)

M/s Khatau Junker Ltd; Dattapeda Road, Borivli, (East), Bombay—(Bombay-Maharashtra)—Paper Condensors—5 lakh nos. p.a.—(NA)

M/s Commonwealth Mixedwaste Spg. Mills Pvt. Ltd; C-4/102, Safdarjung Development Scheme, New Delhi—(Rajasthan)—Mica Paper—300 tonnes p.a. Integrated Mica Products —200 tonnes p.a.—(NU)

Transportation

M/s Hero Cycles Pvt. Ltd; Hero Nagar, G.T. Road, Ludhiana—(Ludhiana-Punjab)—Complete Bicycles—7 lakh nos. p.a. Bicycle Rims—18 lakh nos. Handle Bars—1,75,000 nos. p.a. Pedals—1,75,000 nos. p.a. Saddles—1,75,000 nos. p.a. Chain Wheel Crank Sets—1,75,000 nos. (SE)

M/s National Steel and General Mills (P) Ltd; Patel Marg, Post Box No. 51, Ghaziabad—Ghaziabad, Meerut, UP)—Crank Shafts—30,000 nos. p.a. Connecting Rods—36,000 nos p.a.—Cam Shafts—20,000 nos. p.a.—(SE/NA)

M/s Nathani Steel Pvt. Ltd; Adj. Vidyavihar Rly. Station Bombay—(Bombay/Bhiwandi/Tarapore, Maharashtra)—Fraight Containers for Ships, Wagons & Trucks—5,000 nos. p.a.—(NU)

Industrial Machinery

M/s Madura Mills Co. Ltd; P.B. No. 35, New Jail Road, Madurai—(Tumkur-Karnataka)—Dye Spring—3 lakh nos. p.a. —(NA)

M/s Davy Ashmore India Pvt. Ltd: 6-A, Middleton Street, Calcutta-16—(24-Parganas-West Bengal)—*Presses Items* Forging Presses 600 tonnes & above Extrusion Presses for Sections & Tubes—500 tonnes & above. Graphite & Carbon Presses 650 tonnes and above and Wheel Forcing Presses including manipulators & Product handling equipment—4 nos. p.a.

Rolling Mills (a) Single-stand Mills:-Multi Roll Mills, Foil Mills, Piercer Type Tube Mills—Roll dia 4 nos. 400 mm per annum below (b) Multi-stand Mills:- Bar & Rod Mills, Wire Rod Mills, Hot and Cold Strip Mills, Sheet Mills, Section Mills—Average Roll dia 400 mm & below—4 nos per annum.

(c) Process Lines for Rolling Mills:—Cut up, Slighting & Trimming lines, Coil building up lines Degreasing & Grinding lines, Annealing & Pickling line, Stretcher & Leveller line—4 no. p.a. Continuous Casting Machines—60 MT Side Blown Convertors—30 MT Furnace Accessories like tap hold drilling machine & clay guns—10 MT—(NU)

M/s Andrew Yule & Co. Ltd; 'Yule House', 8-Clive Row Calcutta—(Kalyani-West Bengal)—Cyclones Celluars Scrubbers Air Filters, Electrostatic Precipitators, Pneumatic Conveying Systems, Classifiers for Material Sorting, Paper Machine hoods Spray Booths, Cooling Towers, Fume Extraction, Ventilation system including Marine and Components and allied accessories for above—100 sets per annum—(NA)

M/s National Eng. Industries Ltd; Jaipur—(Jaipur-Rajasthan)—Ball & Roller Bearings—72,00,000 nos. p.a.—(SE)

Miscellaneous, Industries

Shri Tilak Talukdar, 69, Palm Avenue, Calcutta—(Haldia, Midnapur, West Bengal)—Rigid PVC Pipes—3,000 tonnes p.a. (NU)

Shri Vidya Sagar, E-15, Dali Nagar, New Delhi—(West Bengal)—Forged Hand Tools—3,000 tonnes p.a.—(NU)

Chemicals (Other than Fertilizers)

M/s Metroark Pvt. Ltd; 12-Lenin Sarani, Calcutta—(Haldia Midnapore, West Bengal)—Methyl Chloride—444 tonnes per annum. Methyl Chlorosisilances—300 tonnes. p.a.—(NA)

M/s The Metal Powder Company Ltd; Maravankulam, P.O. Pudunagar, Thirumangalam, Madurai Distt.—(Thirumangalam, Madurai, Tamil Nadu)—Red Phosphorous tonnes p.a. —(NU)

Shri M.G. Menon, 12-Venus Colony, Alwarpet, Madras.—(Saidapet, Chingleput, Tamil Nadu)—Linear Alkyl Benzene (Deterjent Alkylates). 34,000 tonnes p.a.—(NU)

Mrs S. Chopra, B-9 Greater Kailash-I, New Delhi.—(Udaipur-Rajasthan)—White Phosphorous—3,000 tonnes p.a.—(NU)

Shri R.D. Shroff, C/o M/s United Phosphorous (P) Ltd; Bharat House (2nd Floor) 104, Apollo Street, Fort, Bombay.—(Udaipur-Rajasthan)—White Phosphorous—2,500 tonnes p.a.—(NU)

Shri Arun K. Jain, 32, Hanuman Road, New Delhi.—(Secunderabad Tehsil-Bullundhshahar, UP)—Refrigerant Gases—1,000 tonnes p.a.—(NU)

Shri C.M. Arya, 8/84, Punjabi Bagh, New Delhi.—(Aurangabad-Maharashtra)—*Sodium Chlorate*—2,000 tonnes p.a.—(NU)

M/s Bengal Coal Co Ltd; 8-Clive Row, Calcutta.—(Haldia, Durgapur, West Bengal)—Sresole—3,000 tonnes; Sodium Sulphite—2,700 tonnes (Bye-product)—(NA)

M/s Arvind Distillery Ltd; 11-A/1, Meco House, Mout Road, Madras.—(Kadampuliyur, Tamil Nadu)—(Acetic Acid—4,500 tonnes—(NA)

Shri R.P. Modi, 14-Judges Court Road, Calcutta.—(Maharashtra)—Silicones—600 tonnes p.a.—(NU)

Shri D.K. Jain, 422, Defence Colony, New Delhi.—(Maharashtra)—Silicon—600 tonnes p.a.—(NU)

M/s Mining & Phosphate Co, B-1, Industriai Area, P.O. Adityapur, Jamshedpur.—(Adityapur, Singhbhum, Bihar Elemental Phosphorous—3,300 tonnes p.a; Phosphoric Aci 7,260 tonnes p.a; Sodium Phosphate—19,000 tonnes p.a; Be ficiated Rock Phosphate—12,000 p.a.—(NU)

Shri Sham S. Sardana, 4/14,A-Asaf Ali Road, New Delhi (Mehatpur, Una, Himachal Pradesh)—Nitric Acid—7,000 t nes; Sodium Nitrate—4,000 tonnes—(NU)

Drug & Pharmaceuticals

M/s Synbiotics Ltd; PB No. 129, Wadi Wadi, Baroda, Gu rat—(Baroda-Gujarat)—Tetracycline Salts—30 tonnes—(SE)

M/s Alembic Chemical Works Co Ltd; Alembic Ro Baroda.—(Baroda-Gujarat)—Calcium Sennasoid—20 ton p.a.—(NA)

M/s H.C. Shah & Associates: Promoters: Vrindava Kaly Society, Near Orient Club, Ellis Bridge, Ahmedabad.—(G arat)—Niacinamide—100 tonnes; Methyl Ethyl Pyridine— p.a. tonnes—(NU)

M/s Development Corporation of Konkan Ltd; 5th Flo Warden House. Sir P.M. Road, Bombay.—(Bombar-Mahar rashtra)—Methyl Ethyl Pyridine—1,000 tonnes p.a; Niaci mide—600 tonnes; IHN—100 tonnes; Alpha Picolinic Acid (Export)—150 tonnes p.a.—(NU)

M/s Steelcrete Pvt Ltd; 7-Apeejay House, 15, Parliame Street, New Delhi.—(Ballabgarh, Gurgaon, Haryana)—Chlor quin Diohosphate—50 tonnes p.a: Procaine Hydrochloride 100 tonnes p.a; Diloxomide—30 tonnes; Furamide—15 ton —(NU)

M/s Theraprutic Pharmaceuticals, 54, Proctor Road, Bo bay,—(Bombay-Maharashtra)—Phenyl Butazone Tabs— mill. nos p.a; Ethambutol Tabs—1.8 Mil nos. p.a; Metro duzole Tabs—1.2 Mill nos; Poly Vitamins Tabls—3.6 Mil n Anasteron Tabs—1.2 Mil nos. Diazapam Tabs—3.6 Mil n Chlorpril Tabs—2.4 Mil nos; Chlorpril Injection—600 Litr p.a; Multivitamin Drops—1200 Leters p.a.; Ferosemide Ta lets—2.4 Mil nos p.a; Ethinomide Tablets—2.4 Mil nos p. Aritrip tyline Tabs—2.4 Mil nos; Grisofulyin Tabs—2.4 M nos p.a; Cycloserine Tabs—2.4 Mil nos p.a.—(NA)

Textiles

M/s G.M. Worsted Spinning Mills (P) Ltd; B-86, Great Kailash, New Delhi.—(Faridabad-Haryana)—Shoddy Yarn 600 spindles—(NU)

Shri H.N. Tiku, Dy. Genl. Mgr., Gov:. Woollen Mill Bemina, Srinagar.—(Srinagar, J & K)—Worsted Spindles—12 spindles; Woollen Spindles—488 spindles; Power Looms— nos—(SE)

Shri Inder Shaker Darbari, F-B-11, New Kavi Naga Ghaziabad.—(Sikandrabad-Bulanhar, UP)—Shoddy Yarn—6 shoddy spindles; Worsted Yarn—1200 worsted spindles | (NU

M/s G.M. Worsted Spinning Mills Ltd; Link Road Farid bad, Haryana.—(Haryana)—Shoddy Yarn—600 spindles (NU)

M/s Kishore Textiles, Alwar.—(Rajasthan)—Shoddy Yarn 600 spindles—(NU)

Shri Shree Subhas Sahni, M/s W.H. Deeth & Co., Kalind Ring Road, New Delhi.—(Haryana)—Shoddy Yarn—600 spi dles—(NU)

M/s Anik Industries, B-86, Greater Kailash, New Delhi- (Haryana)—Shoddy Yarn—600 spindles—(NU)

M/s Resham Woollen & General Mills Pvt. Ltd; A-7 Wazirpur Industrial Area, Delhi-52—(Uttar Pradesh)—Shodd Yarn—600 spindles—(NU)

M/s H.M. Perimal, K-6, Hauz Khas, New Delhi-16—(Utt Pradesh)—Worsted Yarn—1,200 spindles—(NU)

M/s Prahalad Industries, Delhi Moradabad Road, Vil Mangapura, Distt: Moradabad—(Uttar Pradesh)—Shodd Yarn—600 spindles—(NU)

M/s Madhya Pradesh Woollen Mills, C/o G.B. Diwat

ipura, Rewa—(Madhya Pradesh)—Shoddy Yarn—600 dles—(NU)

I/s U.P. Poorvanchal Vikas Nigam Ltd; 33, Faizabad, Lines, Faizabad—(Uttar Pradesh)—Shoddy Yarn—600 dles—(NU)

hri S.K. Khanna, 79, The Mall, Amritsar—(Uttar Pradesh) oddy Yarn—600 spindles—(NU)

hri Brij Mohan Bhatia, "Bhatia House," 26-The Mall, itsar—(Uttar Pradesh)—Shoddy Yarn—600 spindles—(NU)

M/s Rajiv Woollen Mills Pvt. Ltd; G.T. Road. Dadri, ndshahar U.P—(Uttar Pradesh)—Shoddy Yarn—600 dles—(NU)

M/s Allied Spinners, C-50, Greater Kailash, New Delhi—ar Pradesh)—Shoddy Yarn—600 spindles—(NU)

M/s U.P. Parvithya Vikas Nigam Ltd; H.O. Nainital, Uttar lesh—(Uttar Pradesh)—Shoddy Yarn—600 spindles—(NU)

M/s Government Woollen Mills, Bemina, Srinigar—(Jammu Kashmir)—Shoddy Yarn—600 spindles—(NU)

M/s Kishore Spinning & Weaving Mills, G.T. Road, Pani- Haryana—(Haryana)—Worsted Yarn—1,200 spindles—J)

Shri M.M. Mahajan, Mahajan House, Asandh Road, Pani-—(Haryana)—Shoddy Yarn—600 spihdles—(NU)

Shri N.K. Sureka, B-2, Greater Kailash Enclave-I, New hi-48—(Haryana)—Worsted Yarn—1,600 spindles—(NU)

M/s Tin Containers & Printers Private Limited, 3,11/14, aji Subhas Road, Daryaganj, Delhi-6—(Haryana)—Worsted n—(1,200 spindles—(NU)

M/s H.P. Industries, Prop: M/s Tin Containers & Printers Ltd; 3711/14, Netaji Subhas Marg, Daryaganj, Delhi-6—ryana)—Shoddy Yarn—600 spindles—(NU)

M/s Rewari Textiles Pvt. Ltd; 3711/74, Netaji Subhas Marg, rya Ganj, Delhi-6—(Haryana)—Shoddy Yarn—600 spindles NU)

M/s Emson Woollen Mills Pvt. Ltd; B-86, Greater Kailash, w Delhi—(Haryana)—Worsted Yarn—1,200 spindles—(NU)

M/s Madhya Bharat Woollen Mills Private Limited, C-4/2, Safdarjung Development Scheme, New Delhi—(Madhya adesh)—Shoddy Yarn—600 spindles—(NU)

M/s Swastik Woollen Industries Private Limited, Bombay Rajasthan)—Shoddy Yarn—600 spindles—(NU)

M/s Suneel Textiles Mills Private Limited, A-146, Defence lony, New Delhi—(Haryana)—Shoddy Yarn—600 spindles—(NU)

M/s E. Sefton & Company (P) Ltd; Mirzapur, U.P.—irzapur-Uttar Pradesh)—Shoddy Yarn—600 spindles—U)

M/s H.P. Mineral & Industrial Development Limited, shor Bhavan, The Mall, Simla—(Himachal Pradesh)—Worst- Yarn—2,400 spindles—(NU)

M/s Oriental Carpet Co. (P) Ltd; Amritsar, Punjab—mritsar-Punjab)—Worsted Spindles—1,200 spindles. Power oms—20 looms—(SE)

M/s Model Woollen Mills Ltd; 4-C, Vulcane Insurence ilding, Veer Nariman Road, Bombay-20—(Ludhiana-Punjab) Worsted Spindles—1,200 spindles. Power Looms—20 looms E)

M/s Bombay Woolen Mills Ltd; 20-Amba Lal Dosi Street, rt. Bombay—(Bombay-Maharashtra)—Worsted Spindles—200 spindles; *Power Looms*—20 looms—(SE)

M/s Oswal Woollen Mills, Miller Ganj, Ludhiana—(Ludhia--Punjab)—Worsted Spindles—1,200 spindles; Power Looms 20 looms—(SE)

Paper & Pulp

Shri K. L. Rajagarhia, c/o M/s Ramganga Pulp & Paper ills, B-38, Greater Kailash-I, New Delhi—(Uttar Pradesh)—ewsprint—30,000 tonnes p.a.—(NU)

M/s Hargopal & Sons, Hargopal Road, Ambala Cantt., Haryana—(Bajpura, Patiala, Punjab—*Newsprint*—30.000 tonnes p.a.—(NU)

Industrial Alcohol

M/s Terna Shetkari Sahakari Sakhar Karnataka Ltd; Dhoki, Distt: Damanabad, Maharashtra—(Dhoki-Maharashtra)—Industrial Alcohol—4.5 mill. Litres. p.a.—(NA)

Food Processing Industries

M/s Haryana Dairy Development Corporation Limited, S.C.O. Nos. 6 & 7, Sector 17-B, Chandigarh—(Rohtak-Haryana)—Skim Milk Powder—1,000 tonnes p.a; Whole Milk Powder—500 tonnes p.a.—(NU)

M/s R. Bhatia & Co., C/o, M/s Briles Chemicals, Outside Bhatanwala Gate, Amritsar—(Amritsar-Punjab)—Maize Products—15,000 tonnes in terms of Maize. p.a.—(NU)

Shri A. K. Agarwal, Dir., M/s Indian Milk Products Ltd; Muzaffarnagar—(Bullandshahr-U.P.)—Dextrose Monohydrate—9,900 tonnes p.a: Speciality Strach—6,600 tonnes p.a.—(NU)

Shri D. K. Khaitan, 57, Model Town, Ghaziabad (U.P.)—(Hoshiarpur-Punjab)—Maize Strach—21,000 tonnes—(NU).

Shri N.K. Bajaj, 56, Model Town, Ghaziabad (U.P.)—(Nalagarh, Solan, Himachal Pradesh)—Strach—21,000 tonnes p.a.—(NU).

Shri Suresh Sharma, 30-Pusa Road, New Delhi—(Bullandashahr-U.P.)—*Maize Strach*—2,370 tonnes; Glucose—2229 tonnes p.a.—(NU).

The Managing Director, U.P. State Industrial Development Corporation Ltd; 117/420, G.T. Road, Kanpur—(Rishikesh-U.P.)—Maize Strach—7500 tonnes; Liquid Glucose—3500 tonnes; Dextrose—3500 tonnes—(NU).

Leather and Leather Goods

M/s Leather Industries Development Corporation of Andhra Pradesh Limited, 3-6-150, Himayat Nagar, Hyderabad—(Andhra Pradesh)—Finished Leather from Blue Goat Skins—6,00,000 pieces p.a.—(NU).

Glass

M/s The Hindustan National Glass & Industries Limited, Bhadurgarh (Bahadurgarh-Haryana)—*Glass Bottles*—31,500 tonnes p.a; Vials—2,500 tonnes; Pressed Ware—5,000 tonnes—(SE).

Ceramics

M/s Magnesite & Minerals Limited, P.O. Chandag. Pithorgarh District, Uttar Pradesh—(Chandag, Pithorgarh, U.P.)—Dead Burnt Magnesite—30,000 tonnes p.a.—(NU).

Timber Products

Shri B.K. Chatterjee, Chatterjee Polk (P) Ltd; 27-Brabourne Road, Calcutta-1—(Sonarpur, 24-Parganas, West Bengal)—Containers for Shipping Freight—6,400 nos. p.a.—(NU).

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From (Hyderabad) M/s The Hyderabad Allwyn Metal Works Ltd.—M/s Andhra Pradesh Scooters Limited—From (West Bengal)—M/s Bijon Nag. to—M/s Indian Fine Blank Ltd; Calcutta; From (Hissar, Haryana)—M/s Shri Basudev Aggarwal, Hissar. to—M/s Haryana Plastex Ltd; Hissar. From (Baroda, Gujarat)—M/s Standard Gears Pvt. Ltd; Baroda. to —M/s Sterling Gears Pvt. Ltd: Baroda.

Letters of Intent Revoked, Lapsed or Cancelled

(Information pertains to particular letters of intent

M/s UP State Industrial Development Corporation Limited, Directorate of Industries Building, Kanpur—(Uttar Pradesh)—Scooters—(Lapsed)

M/s Hindustan Monark Private Limited, New Delhi—(Uttar Pradesh)—Bicycles—(Cancelled)

RECORDS AND STATISTICS

Industrial production: performance and prospects

INDUSTRIAL PRODUCTION is expected to record a significant increase of 3 to 3.5 per cent during 1974-75 as compared to a growth rate of 0.5 per cent only during 1973-74. This optimistic estimate for 1974-75 is based on the improvements witnessed in some key sectors such as power, steel and coal.

Improved Performance

Another encouraging development has been the improved performance of the heavy engineering units in the public sector. These units under the administrative control of the Department of Heavy Industry recorded a 40 per cent growth in output in the 11 months to February, 1975.

A detailed review of production trends during 1974-75 with prospects for 1975-76 are dealt with in the following paragraphs:

During the first four months of 1974-75 (April-July), the general index of industrial production recorded an increase of 3.8 per cent as against a decline of 1.0 per cent registered during the corresponding months of 1973-74 (Table I).

An analysis of the general index of industrial production for four months, i.e. April-July, 1974, by industrial groups and sub-groups indicates that the three major groups recorded production increases, viz., 'electricity generated' 8.5 per cent, 'mining and quarrying' 5.9 per cent, and 'manufacturing' 3.3 per cent.

General Index

The major growth leaders in the group 'manufacturing' were as follows:

Sub-group	Percentage increase
Metal products	+17.2
Petroleum refinery products	+12.1
Rubber products	+11.4
Paper and paper products	+8.6
Cotton textiles	+7.6
Manufacture of chemicals	+6.2
Food manufacturing	+5.7
Non-metallic minerals	+4.4

The major areas of concern where production levels have either declined or have just been maintained include:

Sub-group	Percentage decline
Non-electrical machinery	—5.9
Transport equipment	—2.8
Electrical machinery	—2.5
Basic metal industries	—2.3
Jute textiles	—2.0

Production in a number of industries has been affected by capacity constraints as well as by shortage of certain major inputs. Other industries have been hit by transport bottlenecks and a disturbed industrial relations situation.

Production of Selected Industries: While data on the official index are available up to July, 1974, preliminary data are available on the production of 122 selected industries for the calender year January-December, 1974, (Table III p. 870).

Mining & Quarrying (Index Weight 9.72 per cent): The major item in this group, viz., coal recorded a production increase of 7.3 per cent during the year under review.

Food Manufacturing (Index Weight 12.0 per cent): Two the major items in this grou viz., sugar and tea, with weight of 3.58 and 5.12 r pectively, recorded produ tion increases while there ha been shortfalls in the outp of flour milling (—11.2 p cent) and vanaspati (—24. per cent).

Textiles (Index Weight 27. per cent): The production jute manufacturers continu to show a declining trend. the case of cotton yarn, pro uction was generally mai tained, while manufacture cotton cloth showed a stea trend.

Rubber Products (Ind Weight 2.22 per cent): The has been an increase in the pr duction of automobile tyr

TABLE I

General Index of Industrial Production

(Crude)

(Base 1960=100)

Months	1971	1972	1973	197 (Pro
January	188.4	199.6	207.4	206.
February	178.7	196.7	191.8	196.
March	192.4	208.0	211.3	210.
April	183.4	190.4	188.6	191.
May	179.0	194.6	190.7	202.
June	182.7	196.8	192.2	202.
July	187.3	196.8	199.1	203.
August	183.1	198.6	204.9	
September	185.0	198.6	199.3	
October	182.0	197.8	194.2	
November	189.7	203.3	206.8	
December	201.6	211.7	222.0	
January-December	186.1	199.4	200.7	
(Average)	(+1.0)	(+7.1)	(+0.7)	
January-July	184.6	197.6	197.3	201.
(Average)		(+7.0)	(—0.2)	(+2.
April-July	183.1	194.7	192.7	200.
(Average)		(+6.3)	(—1.0)	(+3.

*Provisional

ubes and bicycle tyres tubes.

micals/Chemical Pro- (Index Weight 7.26 per Production increases in t of caustic soda, soda bleaching powder, cal- carbide and sulphuric have been counter-ba- l by a decline in the pro- on of phosphatic fertili- liquid chlorine, nylon ent yarn and sulphur .

roleum Refinery Pro- (Index Weight 1.34 per and of **Non-Metallic ral Products** (Index ht 3.85 per cent): Produc- of petroleum refinery pro- has been maintained as st a decline in the prod- n of cement.

ectrical Machinery (Index ht 3.05 per cent): Under broad head, production ases have been registered espect of electric motors, batteries, radio receivers, escent tubes and electric However, production of er transformers, storage eries, winding wires, hare- per conductors, and alu- um conductors have dec- l.

sic Metal Industries (Index ght 7.38 per cent): There been an increase in the luction of semi-finished l and zinc ingots coupled a decline in the produc- of finished steel and alu- ium ingots.

ndustrial Machinery and nsport Equipment: Indus- s that have recorded signi- nt increases in production ove 20 per cent) include ent mill machinery, chemi- and pharmaceutical machi- y, drilling equipment, diesel ines (vehicular), conveying ipment, pulp and paper chinery, tractors and steel e ropes.

ndustries that have record- creditable increases in pro- ction (between 10 to 19 per t) include boilers, C.I. spun es, machine tools, weighing machinery, dairy machinery, motorcycles and scooters.

Industries that have recorded a decline in production include mining machinery, trailers, steel castings, cars, jeeps, commercial vehicles, railway wagons and diesel engines (stationary).

Industrial Licensing and Investment: the total number of industrial licences and letters of intent issued during the year 1974 is indicated below, together with the figures for the previous years starting from 1968:

Year	Industrial licences issued	Letters of Intent issued
1968	221	154
1969	221	334
1970	363	438
1971	625	1015
1972	563	877
1973	596	899
1974	1099	1181

Data on investment in the private sector during 1973-74 are not available. However, it would appear from the assistance disbursed by term-lending institutions as also from capital raised by non-government companies that there was some improvement in the investment activity during 1973-74.

The number of new companies registered has increased as follows:

Year	No of new cos. registered
1968-69	1115
1969-70	1510
1970-71	1927
1971-72	2524
1972-73	2860
1973-74	3777

Table II gives some indicators of investment activity over a longer period.

It will be seen from Table II that while the capital raised by non-government companies had been stagnant during the four years upto 1971, the amount of capital raised increased from Rs 87.4 crores in 1971 to Rs 133.9 crores in 1972, but the provisional figures for 1973 declined to Rs 113.4 crores. Assistance disbursed by term-lending institutions increased substantially during 1973-74 when it amounted to Rs 272 crores as compared to Rs 199 crores in the preceding year.

Prospects for 1975-76: On the basis of production data available up to February 1975, it has been estimated that the growth rate of industrial production for the year 1974-75 should be somewhere between 3 to 3.5 per cent. This estimate is based upon the improvements noticed in a number of key sectors, such as, power, steel and coal. Power generation has shown a growth rate of 5.9 per cent during the period April 1974—February 1975; steel output from major plants during that period has increased by 11.2 per cent over the previous year and coal output has increased by 10.7 per cent over the last year.

Thus, it is likely that the overall situation in the year 1975-76 with regard to the supply of these critical inputs will be much better than last year. However, for 1975-76, as yet it is not possible to be definite about the supply of agriculture-based raw materials, such as, raw cotton, raw jute, sugar and vegetable oilseeds.

Apart from the supply of raw materials, the prospects of industrial production in 1975-76 are likely to hinge, to a very large extent, on the ability of industry to utilise the existing production capacity. This is possible provided an attempt is made to bring down prices to realistic levels, which would be remunerative to the producers and attractive to the consumers. If a determined attempt is made to utilise existing capacities, the prospects for growth in production would be considerably brighter in 1975-76 as well as in the immediate future.

On its part, government intends to provide encouragement to production and utilisation of existing capacity in industry, and for this purpose, a number of measures have since been taken. These measures include the streamlining of the procedures for industrial licensing; encouragement of diversification in machinery and machine tool manufacturing industries; setting up of a special committee to examine the credit needs of different industries on a selective basis, and keeping a month-by-month watch on production in selected industries.

TABLE II

Indicators of Investment Activity

(Rs crores)

Year	Capital raised by non-govt cos. (Calendar year)	CG/HEP licences issued (April-March)	Assistance disbursed by term lending financial institutions (April-March)
1968-69	96.4	83.8	85.8
1969-70	95.6	73.2	116.3
1970-71	89.4	127.1	146.7
1971-72	87.4	252.2	184.5
1972-73	133.9	268.1	199.2
1973-74	113.4	261.6	272.0

Table III
Production in Selected Industries

Industry	Weight	Unit	Production during			Percentage chan	
			1972	1973	1974 (P)	1973 / 1972	1 / 1
1	2	3	4	5	6	7	
Mining & Quarrying 9.72							
Coal (incl. Lignite)	6.7873	Th. Tonnes	78725	80391	86223	+2.1	+
Iron Ore	0.5867	,,	35476	35401	34000	—0.2	—
Manganese Ore	0.5765	,,	1643	1461	1325E	—11.1	—
Crude Petroleum	—	,,	7373	7196	7490	—2.4	+
Food Manufacturing 12.09							
Flour Milling	1.49	Th. Tonnes	2921	1967	1746	—32.7	—1
Sugar	3.58	,,	3436	3676	4152	+7.0	+1
Salt	1.09	,,	6518	6860	5913	+5.2	—1
Vanaspati	0.19	,,	604	466	353	—22.8	—2
Infant Milk Food	—	,,	20.5	18.2	10.5	—11.2	—4
Tea	5.12	Mill. Kgs.	456	472	486	+3.5	+
Beverage and Tobacco 2.22							
Cigarettes	2.15	Mill. No.	62014	64342	62400	+3.8	—
Beer and Ale	0.07	M. Litres	50.9	59.9	63.0	+17.7	+
Mfr of Textiles 27.06							
Cotton Yarn	11.79	Mill. Kgs	973	998	1009	+2.6	+
Cotton Cloth (Mill-Made)	9.39	Mill. Mtrs	4245	4169	4287	—1.8	+
Jute Manufactures	3.97	Th. Tonnes	1256	1164	1082	—7.3	—
Mfr. of Wood & Cork 0.80							
Cork Sheets	0.129	Mill. Sq. Mtrs	1.26	1.08	0.95	—14.3	—1
Cork Discs	0.189	Mill. Nos	660	933	900	+41.4	—
Cork Stoppers	0.135	,,	157	93	100	—40.8	+
Mfr. of Footwear (Leather) 0.22							
Western Type	0.035	Th. Pairs	7525	7300	6543	—3.0	—1
Indigenous Type	0.015	,,	6499	7100	7200	+9.2	+1
Mfr. of Paper & Paper Board 1.61							
Paper & Paper Board	1.53	Th. Tonnes	803	797	825	—0.7	+3
Newsprint	0.08	,,	42.0	43.8	54.8	+4.3	+25
Mfr. of Leather & Fur Projects 0.43							
Chrome Tanned Hides	0.079	Th. Nos.	1493	2332	1882	+56.2	—19
Vegtable Tanned Hides	0.331	,,	926	728	855	—21.4	+17
Mfr. of Rubber Products 2.22							
Rubber Footwear	0.43	Mill Pairs	42.8	38.7	36.7	—9.6	—5
Waterproof Fabrics	0.047	Th Mtrs	3948	2695	2302	—31.7	—14
Latex Foam Sponge	0.057	Tonnes	1082	1100	910	+1.7	—17
Camel Back	0.093	,,	16273	14000	15837	—14.0	+13
Tyres							
Automobile	1.1881	Th Nos	4396	4476	4734	+1.8	+5
Bicycles	0.0938	,,	21813	22400	25200	+2.7	+12
Tractors	0.0115	,,	280	286	320	+2.1	+11

E—Estimated P—Provisional

—Con

1	2	3	4	5	6	7	8
V. Tyres	0.0019	,,	260	250	288	—3.8	+15.2
ne Road	0.1146	Nos.	16177	18204	17927	+12.5	+1.5
s							
mobile	0.106	Th Nos	4280	4191	4202	—2.1	+0.3
les	0.0576	,,	14402	14700	18716	+2.1	+27.3
tors	0.0018	,,	225	258	252	+14.7	—2.3
V. Tubes	0.0003	,,	255	228	224	—10.6	—1.8
he Road	0.0009	Nos	11820	14151	11455	+19.7	—19.1
of Chemicals 7.26							
genous Fertilizers (N)	0.3367	Th Tonnes	1081	1032	1115	—4.5	+8.0
phatic Fertilizer (P_2O_5)	0.120	,,	323	327	305	+1.2	—6.7
tic Soda	0.1699	,,	391	412	430	+5.4	+4.4
Ash	0.1324	,,	486	469	510	—3.5	+8.7
ching Powder		,,	18.8	17.4	20.0	—7.4	+14.9
ium Carbide	0.0237	,,	68.8	62.1	70.2	—9.7	+13.1
id Chlorene	0.0231	,,	148	150	145	+1.4	—3.3
huric Acid	0.0008	,,	1303	1330	1500	+2.1	+12.8
p	0.844	,,	293	235	240	—19.8	+2.1
ts & Varnishes	0.2159	,,	69.0	68.8	70.0	—0.3	+1.7
hetic Detergents	0.023	,,	59.8	68.4	84.5	+14.4	+23.5
cerine Refined	0.083	Tonnes	9700	8000	8500	—17.5	+6.3
gen Gas	0.114	Mill Cub Mtrs	60	60	59	—	—1.7
tylene Gas	0.0412	Th Cub. Mtrs	6638	6200	6500E	—6.6	+4.8
per Sulphate	0.0078	Tonnes	2114	2104	2608	—0.5	+24.0
phur Black	0.028	,,	1504	1066	599	—29.1	—43.8
hthols	0.106	,,	1316	1246	1299E	—5.3	+4.3
Dyes	0.023	,,	2317	2567	2520	+10.8	—1.8
Dyes	0.0291	,,	1123	1309	1071	+15.6	—18.2
ubilised Vats	0.069	,,	88	111	146	+26.1	+31.5
hromates	0.0325	,,	8324	9260	8000	+11.2	—13.6
cose Filament Yarn	0.2920	Th Tonnes	23.1	37.0	38.0	+60.2	+2.7
cose Staple Fibre	0.2870	,,	70.3	61.9	72.4	—11.9	+17.0
tate Yarn	0.0330	Tonnes	1988	1982	2023	—0.3	+2.1
on Filament Yarn	—	Th Tonnes	11.8	11.4	10.1	—3.4	—11.4
c Oxide	0.0412	Tonnes	5000	5200	5600	+4.0	+7.7
roleum Refinery Products	1.34	Th Tonnes	18205	19124	19397	+5.0	+1.4
r. of Non-Metallic Minerals 3.85							
ment	1.17	Th Tonnes	15785	15016	14233	—4.9	—5.2
C. Products	0.89	Th Tonnes	386	415	415	+7.5	—
azed Tiles	0.35	Tonnes	25000	26800	30800	+7.2	+14.9
fractory	—	Th Tonnes	791	762	800	—3.7	+5.0
fr of Metal Products 2.51							
ood Screws	0.14	Mill No	1472	1211	1200	—17.7	—0.9
achine Screws	0.03	,,	594	1340	1700	+125.6	+26.9
zor Blades	0.07	,,	1087	1004	860	—7.6	—14.3
lts, Nuts & Rivets	0.61	Th Tonnes	62.5	27.9	26.0	+5.3	—6.8
fr of Non-Electrical Machinery 3.38							
wing Machines	0.223	Th Nos	319	258	325	—19.1	+26.0
pewriters	0.063	Nos	41971	32100	47000	—23.5	+46.4
cycles	0.5100	Th Nos	2273	2500	2600	+10.0	+4.0
oom Air Conditioners	0.169	,,	25	24	29	—4.0	+20.8
omestic Refrigerators	0.222	,,	92	109	100	+18.5	—8.2
ll & Roller Bearings	0.0857	Nos	21540	23500	24550	+9.1	+4.5
Mfr of Electrical Machinery 3.05							
ower Transformers	0.38	Th KVA	11400	12100	12500	+6.1	+3.3

—Contd.

E—Estimated

1	2	3	5	6	7	8	9
Electric Motors	0.27	Th HP	3040	3110	3206	+2.3	+3
Dry Batteries	0.187	Mill Nos	637	631	640	—0.9	+1
Fluorescent Tubes	0.018	Mill Nos	12.4	11.6	15.0	—6.5	+29
Storage Batteries	0.193	Th Nos	1110	1250	1320	+12.9	+5
Electric Fans	0.411	,,	2289	2150	2400	—6.1	+11
Radio Receivers	0.61		1934	1610	2000	—16.8	+24
Aluminium Conductors	0.11	Th Tonnes	80.5	58.2	27.4	—27.7	—52
Bare Copper Conductors	0.09	Tonnes	926	1348	1246	+45.6	—7
Winding Wires	0.09	,,	18323	21100	17114	+15.2	—18
Electricity Generated 5.37	—	M KWH	65312	65034	69438	—0.4	+6
Basic Metal Industries 7.38							
Pig Iron	0.13	Th Tonnes	7037	7288	6951	+3.6	—4
Semi-finished Steel	0.91	,,	890	791	856	—11.1	+8
Finished Steel	3.80	,,	4941	4894	4662	—1.0	—4
Aluminium Ingots	0.144	,,	179	154	129	—14.0	—16
Copper Ingots	0.202	Tonnes	10264	12022	12000	—17.1	—0
Zinc Ingots	—	,,	24627	12504	21103	—29.2	+68
Gold	0.1274	Kgs	3300	2946	1900E	—10.7	—35.
Steel Ingots	—	Th Tonnes	6069	5963	5960	—1.7	—0
Industrial Machinery							
Machine Tools	0.3865	Rs Lakhs	6183	8169	9000E	+32.1	+10
Sugar Mill Machinery	0.1440	,,	1909	2095	2250	+9.7	+7.
Cement Mill Machinery	0.0232	,,	221	710	1000	+221.3	+40
Tea Processing Machinery	0.1070	,,	127	180	220	+41.7	+22.
Weighing Machinery	0.0520	,,	317	380	430	+19.9	+13.
Boilers (Total)	0.2500	,,	5715	7910	9000	+38.4	+13.
Dairy Machinery	0.0064	,,	375	400	440	+6.7	+10.
Conveying Equipment	0.0280	,,	1200	1670	2300	+39.2	+37.
Mining Machinery	0.1200	,,	793	742E	499E	—6.4	—39.
Drilling Equipment	0.0121	,,	268	360	600	+34.3	+66.
Chemical & Pharmaceutical Machinery	0.0190	,,	2613	3130	4050	+19.8	+29.
Pulp & Paper Machinery	0.0009	,,	618	430	540	—30.4	+25.
Heavy Mechanical Industries							
Lifts	0.003	Nos	500	560	560	+12.0	-
Steel Castings	0.4800	Tonnes	70600	68200	64000	—3.4	—6.
C.I. Spun Pipes	—	Th Tonnes	219	257	282	+17.4	+9.
Steel Pipes & Tubes	0.6000	,,	387	385	388	—0.5	+0.
Bright Bars	0.0280	,,	53.4	52.0	53.9	—2.6	+3.
Road Rollers	0.0890	Nos	752	1499	1371	+99.3	—8.
Steel Wire Ropes	0.0600	Tonnes	19461	22000	27000	+13.0	+22.
Welding Electrodes	0.0854	Mill R.M.	406	360	390	—11.3	+8.
Transmission Towers	—	Th Tonnes	62.3	75.0	63.0	+20.4	—16.
Transport Equipment							
Automobiles (Total)	2.1100	Nos					
Cars	—	,,	40039	42467	36756	+6.1	—13.
Jeeps etc.	—	,,	12589	13071	10475	+3.8	—19.
Commercial Vehicles	—	,,	37466	42400	40808	+13.2	—3.
Motorcycles	0.0270	,,	47557	48860	54135	+2.7	+10.
Scooters	0.0830	,,	64731	78079	85670	+20.0	+9.
3-Wheelers	0.210	,,	9790	11335	12307	+16.8	+8.
Trailers	0.0190	,,	2072	3660	2390E	+76.6	—44.
Moped/Scooterettes	—	,,	24672	23312	28380	—5.5	+21.
Railway Wagons	2.3700	Th Nos	9.2	11.5	8.8	+25.0	—23.
Diesel Engines (V)	0.102	Nos	1900	2496	3700	+31.4	+48.
Diesel Engines (Sta)	0.1369	,,	73568	131000	90000	+78.1	—31.
Ship Building & Repairing	0.8500	Rs Lakhs	1232	1500	2600	+21.8	+73.
Tractors	0.8050	Nos	18301	23500	3000	+28.4	+27.

E—Estimated

Wind of change

IT HAS been the practice for some time now for business leaders to avoid straight criticisms of government attitudes or policies on those occasions when the prime minister happens to be on the dais. origins of this restraint are to be found in certain instances in the past when, at e annual sessions of the Federation of Indian Chambers of Commerce and Indus- Jawaharlal Nehru chose to exhibit a superfine intolerance of any criticism of the rnment's socialist objective or its way of pursuing that goal. It is true of course more often than not it was obvious that Mr Nehru was working himself into a zy just for the dramatic effect of it. Even so, business leaders soon persuaded nselves that, having got the prime minister to attend their sessions, there was no nt in their contributing in any way to the staging of even a show of confronta- . It must be said to the credit of the present prime minister that she herself has n less inclined to choke off criticism and more disposed to entering into a debate ot encouraging a dialogue. Nevertheless, businessmen have continued to play and have generally been avoiding raising controversies in her presence.

In his presidential address at the recent annual meeting of the Associated Cham- s of Commerce and Industry of India, Mr N.S. Bhat, however, chose to make a culated departure. Bearding the lioness in her den (assuming that the female of species can be 'bearded' as well as the male), Mr Bhat declared it to be "our lerstanding that you, Madame, accept a mixed economy as the instrument most table to achieve our basic objectives, namely, removal of poverty and unemploy- nt and the attainment of self-reliance and growth." Having thus skilfully com- tted the prime minister to loyalty to the concept of a mixed economy, he grew even re bold and proceeded to take to task those politicians whose "frequent public erances on the need for transformation from the private to the public sector on plea that democracy cannot function in a capitalist economy or that our xed economy is responsible for the distortions in our economy" "quite turally cause us concern." It should be easy to imagine how fiercely Nehru uld have bristled had he been at the receiving end of these admonitions. rs Gandhi, however, elected to make no reference at all to this particular passage Mr Bhat's speech when she followed him with her address inaugurating the ssion.

This in a way is as encouraging a sign as anything the prime minister or her col- agues may have been saying or doing lately with a view to improving the climate or e conditions for the revival of investment or production. Even when given not merely opportunity but something like provocation to re-assert the socialist faith of the overnment, the prime minister acted as if ideological controversies or even differen- s no longer interested her or her government. The front she put up on this occa- on harmonizes in many ways with the decisions, big or small, which the government as been taking in recent months to upgrade the environment for economic activity.

The deputy chairman of the Planning Commission, who seems to have cast him- lf in the role of a priest rather than a pundit of planning, has been attempting for stance, to popularize a new theology which he considers to be more suited to the urpose of making planning pay its way. He is perfectly willing of course that sac- ficial offerings should continue to be burnt on the altar of the public sector, but he insistent on this being done strictly on a *quid pro quo* basis. In other words, if the xpayer's money, or other funds the government may be able to lay its hands on, e to be shoved into the public sector, that institution should not only produce goods ut produce them at a profit. Some of us may shrug our shoulders and say that here o great truth has been discovered or is being revealed. All the same, it has to be oted that it is not just that Mr Haksar is saying that the public sector should deliver he goods but that, even as he is saying so, quite a few enterprises in this sector have

eastern
ECONOMIST

APRIL 18, 1975

Cover: Mr Morarji Desai breaks fast. Picture courtesy *The Hindustan Times.*

started delivering the goods—a happening which Mr C. Subramaniam and Mr T.A. Pai, for instance, have been urging on the nation's attention.

The Finance minister, in fact, has expressed great satisfaction at what he considers to be the psychological breakthrough that has been effected in the sense that it has now become possible for more and more to believe that public sector enterprises need not necessarily be working at a loss indefinitely. It is possible that this confident feeling in the government about the public sector is responsible to some extent to Mrs Gandhi's lack of interest in encouraging conceptual controveries. It is also possible that, no longer having to be as much on the defensive as before where the public sector is concerned, the prime minister and her colleagues are prepared to and are indeed keen on enabling the private sector to function more vigorously so that the total performance of the economy could keep pace with the obvious needs of the people for the greater availability of essential goods and increase in employment opportunities. This does not mean of course that the government is inclined now, any more than it was before, to see eye to eye with the business community on the various issues relating to the growth of investment or production,

Indeed, the prime minister made it very clear in her address to the Assocham that the government certainly did not have the same ideas as were expressed in Mr Bhat's speech about tax or other incentives for investment or exports. On the contrary, she emphasized the responsibility of business to look into its own managerial practices or functional efficiency and find out to what extent deficiencies in these respects might not be contributing to the underutilization of capacity in many industrial units. Fortunately, this is a matter where the government's bark may be worse than its bite. Whether it likes it or not, it is being forced to realize that there can be no substantial resumption of industrial production or growth unless more resources as well as more freedom to use those resources are allowed to the private sector. Mr Subramaniam indeed seems inclined to take pride in his claim that his budget has positively endeavoured to improve the situation regarding infrastructure facilities, availabilities of inputs and prospects of profitability on a selective basis in accordance with national priorities of investment and production.

More recently, Mr T.A. Pai assured industrialists that the government would soon be ready with measures for improving the financial circumstances or tax situations of capital-intensive industries in the priority sector. Again, the latest announcement on import policy reveals substantial liberalization, both conceptual and procedural, thereby emphasizing the large element of sincerity in the government's declared intention of reducing or eliminating administrative bottlenecks. On the whole, then, there could be a constuctive aspect to the prime minister's lack of interest in being drawn into a debate or even a dialogue on the concept of a mixed economy. This does not mean of course that Mrs Gandhi an[d her] colleagues are now on their way to [mak]ing this country safe for a mixed econ[omy]. Mr J.R.D. Tata's keynote address at [the] Assocham, therefore, still rem[ains] valid. The survival of the mixed econ[omy] cannot be taken for granted if only [be]cause the concept has been recei[ving] much battering in recent years. It [may] not have been smashed to pieces, bu[t it] has certainly been hammered out [of] shape. The pressure on political cen[tres] of power to accept the need for a b[asic] re-appraisal of political attitudes [and] economic policies should therefore go [on] relentlessly. At the same time, m[ore] and more positive content should [be] imparted to this pressure by the priv[ate] sector proving here and now that it [can] make the utmost use of such changes [for] the better as there are in the governme[nt] policies to step up investment in essen[tial] directions and raise production wh[ile] keeping down costs and prices.

Voyage of discovery

THE REPORT of the Indian industrial delegation to seven west Asian countries (Oman, the United Arab Emirates, Qatar, Bahrain, Kuwait, Saudi Arabia and Iraq) in January this year had not only highlighted the need for strengthening our economic bonds with these countries but had also spotted the areas in which possibilities of collaboration existed. Led by Mr K.K. Birla, President of the Federation of Indian Chambers of Commerce and Industry (FICCI), it made some concrete suggestions for the consideration of the economic ministries, particularly the ministry of Commerce which wanted the FICCI to "take the initiative in enlisting cooperation of businessmen in the west Asian countries in promoting India's exports".

Despite the age-old ties with these countries, our share in the imports of these countries had remained small. The economies of these countries had however been booming for the past two years due to the sharp increase in oil revenue which had changed their "economic, political and social landscape". The zest with which the structure of societ[y] in this region was being changed, offe[red] fruitful opportunities in expanding [our] trade and collaborative efforts. It was [in] this context that the report urged bo[th] government and business community [of] this country "to work together to get [a] share of the opportunities that obta[in] in the Gulf region".

The delegation came to the conclusi[on] that the commercial dealings in the[se] countries were finalised on "merit a[nd] cost considerations" and the past ass[o]ciation with powerful nations had [no] relevance at all. It followed that o[ur] country had an equal chance in baggi[ng] new orders for projects in agricultur[e,] industry and infrastructure. The cap[a]city to absorb new technology in the[se] countries was uneven in the sense th[at] some countries with sparse populatio[n] still gave preference to trading and on[ly] export-oriented industries could [be] established there.

The productive investments in the[se] countries were being encouraged in o[il] refining, laying of pipelines, tanker fleet[s,] dry docks for maintenance and repair[s,] mineral exploration and surveys, petro[-]chemical industries and constructio[n]

try. The development of water
rces and agriculture including ani-
husbandry would command in-
ing attention. Among the industrial
cts, the capital-intensive ones such
uminium smelters, cement, fertiliser,
and steel rolling, petrochemicals,
ricity generation, hotel construction,
ous light industries, telecommunica-
, housing, health services and cons-
ion of road were being accorded
ity. In certain countries, some
igeous projects were high in the
ity list. For example, Saudi Arabia
planning to build one of the most
ern airports in the world at the
of $300 million.

Because of the extensive construction
gramme, both cement and steel were
reat demand. While customs duties
imports were low, exemption was
n in the case of new industries. Ex-
for Iraq, free enterprise was en-
raged. "Speed and efficiency are at
remium and policies are designed to
esult-oriented" opined the delegation.
s was indeed a very encouraging and
eful assessment of the climate pre-
ing in these countries which demanded
ally efficient mechanism in our country
avail of the favourable possibilities.
vever, the delegation was informed
ing its tour that "India's eagerness and
were not fully matched by an action
nted approach". That was why
ny Indian enterprises had failed to
contracts: there was delay either in
mittiug tenders in time or subsequent-
during negotiations.

As the foreign trade of the Gulf
ntries was increasing at a fast rate,
n to maintain our present percentage
re would need initiation of a number
measures, the most important being
setting up of an appropriate institu-
nal arrangement in the shape of an
onomous Gulf Economic Cooperation
ganisation. Assisted by the govern-
nt, industry and trade this organisation
cording to the delegation, needed to be
up in this country as an independent
ity "to take action on specific pro-
sals emanating from this region."
nstant appraisal of the changing situa-
n and prompt attention to enquiries
m this region were the basic steps on which the edifice of increased cooperation could be built. This organisation would need the active support of our missions in these countries for which the delegation had proposed the appointment of "a Commissioner General for Economic and Commercial Affairs for Gulf Region in one of the centrally located areas". In order to make the presence of our country felt in this area, these institutional arrangements were, without doubt, absolutely essential.

An increased share in the import trade of this region would rightly demand the strengthening of the production base so that requisite surpluses for export could be thrown up. The delegation had suggested that "as a gesture of goodwill our aim should be to feed these markets even at the cost of domestic consumption". The consumption of basmati rice, sugar, cement, steel structurals, steel wires and rods would have to be curbed within the country so as to stimulate exports to these countries and "to win the confidence of our buyers", according to the delegation. Our country had already taken a firm decision in regard to the export of basmati rice. On April 7, 1975, Mr A.P. Shinde, the minister of state in the ministry of Irrigation and Agriculture, made a categorical statement in the Lok Sabha that our country would continue to export basmati rice under all circumstances. Regarding other commodities, the government had taken some steps to increase production and some improvement was expected in the current year. To pursue this policy to its logical conclusion would need courage to continue to export and face hardship even in difficult times when the country lacked surpluses.

The financial resources of the Arab countries were being wooed by many a nation and concessions and facilities of various kinds were being provided. In our country, the inflow of foreign capital had in the past been accompanied by technical know-how and the procedures involved had taken both these factors into account. If we are keen to attract Arab capital, "the policy constraints imposed by the government regarding the percentage of foreign share-holding etc. may have to be modified," according to the delegation. If we succeeded in attracting Arab capital, the technical and managerial control would remain in Indian hands. Because of this basic difference between investments from the industrially advanced countries and the Arab countries, the deiegation had rightly

Eastern Economist 30 Years Ago

APRIL 27, 1945

The city of London's first reaction to Indian government's proposal for government control of those heavy industries most concerned with the industrialization of the continent is apparently not unfavourable. At any rate, there are no inspired protests. While the conservative *Financial Times* recalls mildly that it was only some twenty years ago that a programme not dissimilar to one now was advanced and secured the support only of the minority of the Fiscal Commission on that date, while the majority members thought that the influx of foreign capital would be sufficient for the industrial develcpment of India. If speculation is permissible, this favourable reaction might be explained as a result of several factors. In the first place, the city of London is no longer greatly frightened at extensions of what the text-books call "State Capitalism" to distinguish it from the Marxist variety.

Secondly, many may feel that the Indian Government's plan is probably the only way that a headlong invasion of the Indian markets by outsiders can be regulated and tempered. Thirdly, and most obviously, such centralized control of Indian industries should not be unfavourable to the United Kingdom manufacturers of capital goods who would have some comfortable advantage, though presumably not a monopoly, since the latter, would provoke undesirable political results.

pleaded for relaxations in the existing procedures and policies in this regard.

It was significant that Arab businessmen had shown interest in such industrial plants as would fulfil their domestic requirements. Included in this category were industries such as fertilisers, newsprint, sugar, vanaspati, cement and meat products. This delegation learnt that Pakistan and the UAE had already worked out arrangements for the establishment of an agricultural and cattle farm (costing \$30 million) as a joint venture which would undertake the supply of meat to the UAE and other neighbouring countries. The delegation was right in taking the view that a similar project for sheep rearing in Rajasthan or Andhra Pradesh could be set up in association with one of the Arab countries.

The establishment of joint ventures in west Asian countries offered a vast field in which the locally available resources such as power and gas could be fruitfully utilised but it would be unwise to ignore the fierce competition likely to be offered by the industrially developed countries. Because of paucity of manpower, the region exhibited a preference for "the latest and the most sophisticated technology" and the labour intensive techniques of manufacture were at a discount. However, our country could certainly assist them in the setting up of industrial estates for small and medium-scale industries. Wherever it found it difficult to win as a prime contractor, it could go in for sub-contracting. Some of the big European and American companies had close association with companies in our country and would like to work in cooperation with them. There was distinct possibility of our working as sub-contractors and we should not throw away such opportunities. For turn-key jobs, the assistance of local enterprises could be sought. Here the delegation pointed out that rigidity by the Reserve Bank of India in the release of foreign exchange for deposit as earnest money or for meeting expenses at the initial stages, could be suicidal. Hence there was great need for adoption of a pragmatic policy by the Reserve Bank in this regard.

While serious efforts needed to be made to participate in the developmental work undertaken by the west Asian countries in the wake of the oil boom and the various suggestions made by the delegation for the establishment of joint ventures required a fair trial, the old ties with these countries relating to trade necessitated increased care and caution. For a long time, our textiles, ready-made garments, sugar, basmati rice and cement would be able to hold their own in these markets. The delegation was of the view that the sale of engineering goods in these countries could be substantially increased. As the trade of these countries was confined to a limited number of resourceful businessmen who had adopted modern methods of management, prompt response to enquiries was of vital importance. The delegation had suggested that "mushroom and adventurist types of companies" should be debarred from submitting quotations as they not only brought down the rates but also marred the reputation of the country. This was a sensible recommendation but it would be hard to implement in practice. Even if an atte[...] was made to ban the entry of adv[...] turists, it might make foreign trade[...] closed shop which would be resented [...] a sizeable section of the business co[...]munity.

The west Asian countries are i[...] mood to convert the flood of petrodoll[...] into developmental projects for hasten[...] economic growth. They have no time [...] waste. Already the industrially adv[...]ced countries of Europe are knocking [...] their doors. West Germany, the U[...] France and Italy have captured a si[...]able portion of the growing market. T[...] is why the delegation was right [...] striking a note of urgency. "We wo[...] have to change our style of function[...] to suit the situation". it emphasised. [...] informal discussions with journalists [...] the second international seminar or[...]nised by the Forum of Financial Writ[...] Mr Ahmed Kouross, deputy minist[...] Economy, government of Iran, had a[...] emphasised this point. He was of [...] view that this country wasted too mu[...] time in discussion and consultation.

Red book signals green

THE general welcome accorded to the import policy for the current financial year, which was announced on April 7, is not unwarranted. Besides being a good deal more liberal compared to the policy for the year just ended, it essays several innovations which should help in providing a thrust to industrial production, particularly for export.

The three major innovations made in the policy are: (i) the introduction of automatic licensing for a substantial portion of imports; (ii) the replacement of the classification of industries as "priority" and non-priority" by a new classification, namely, "select" industries; and (iii) the provision for the grant of separate licences for spare parts to all industries.

Import licences are to be granted to all actual users without reference to the sponsoring authorities to the extent of the c.i.f. value of actual consumption of imported raw materials and compone[...] during the period 1974-75 or the value [...] actual user licences or release orders [...]tained for 1974-75 plus the va[...] of REP licences obtained by a u[...] during 1974-75 against its own [...]ports, whichever is less. These licen[...] are to be issued under the same mo[...] of financing and for the same ite[...] as were covered by the licences or rele[...] orders issued for the 12 months endi[...] March 31, 1975. However, the ite[...] which are not permitted to be import[...] during the current year will be exclud[...] from these licences or release orders. T[...] innovation will not only obviate a go[...] deal of effort hitherto made by act[...] users for securing import licences but [...] also expected to reduce the time involv[...] in issuing licences from about six mont[...] to just 30 days.

So far as select industries are co[...]cerned, only 29 have been accord[...] this status, as against nearly si[...] styled as priority industries hitherto. T[...] list of select industries, by and large, co[...]responds to that of priority industri[...]

a few exceptions. In the new list, al priority industries have been oed under some broad categories. notable omissions in this list are man- fabrics, tea and jute goods indust- The new list is stated to have been n up with two objectives in view: (i) ving up of larger exportable surplus- particular industrial items for which scope exists in the world market; (ii) stepping up of the output of mass umption items. While tea and jute ls are said to have been excluded from ist of select industries in view of their ll import requirements, which can be veniently catered for otherwise, the ngrading of the man-made fabrics in- ry appears to have been done under mistaken belief that it caters for only requiremen:s of the more affluent ions of our society. This evidently o longer the case as because of the ger life of these fabrics and their lo- maintenance costs, they are becom- popular even with the less affluent. ar and cotton textiles too do not figu- n the list of select industries. Not only iew of their export potential but also ng to their importance for the average sumer, they ought to have figured in list. Could it be hoped that their uirements, particularly arising out of ir modernisation and renovation pro- mmes would be given due considera- n in the grant of import licences?

The provision in the new policy for issue of the separate import licences spare parts to all industries, as against hitherto practice of granting such ences only to those industries which re included in the priority sector, ould help a great deal in the mainten- ce of the installed equipment and ma- inery. Significantly enough, no rest- tion has been placed on the import of ares and components even though they ght be produced within the country, ovided the imports are for the bona fide e of the units concerned. The limits r the imports of spares and compo- nts—five per cent of the value of im- orted machinery if it was imported prior 1970, three per cent in respect of ma- inery imported during 1970 and sub- quently, half a per cent of the purchase lue of indigenous machinery in which some import components were there and one per cent of the value of machinery in the case of small-scale units—appear to be quite judicious. Equally wholesome is the provision for the import of non-permissible spare parts up to 10 per cent of the face value of separate licences for spare parts subject to the condition that the value of a single spare part would not exceed Rs 50,000. The present value limit for the import of emergency spares too has been raised from Rs 20,000 to Rs 25,000 in the case of large-scale units and from Rs 8,000 to Rs 10,000 in the case of small-scale units, presumably in view of the global inflationary tendencies.

Particular attention has been paid to the requirements of the small-scale sector. Appreciating the difficulties experienced by small units in procuring raw materials from the rupee payment area and under the UK credit, the free foreign exchange content in their import licences has been increased from Rs 5,000 to Rs 10,000. The small units in the select industries will be entitled to import their requirements on the basis of their assessed capacities. Greater facilities have been provided to small units set up in the backward areas and those put up by engineering graduates, ex-service personnel, etc. With a view to fostering self-employment, preferential treatment in regard to imports of small units set up by engineering graduates and ex-service personnel will henceforth be available to those undertakings as well which are established by diploma-holders in engineering and science graduates. Like the small units in the select industries, it will be open to these units to have their production capacities assessed and to obtain raw material imports on that basis.

The select industries, both in the large-scale and small-scale sectors, will also be allowed additional imports of raw materials and components to some extent, depending upon the importance of the industry to the national economy. availability of foreign exchange, etc. In the case of large-scale units, this will be done through a system of supplementary licensing. The applications for such imports, however, will have to be routed through the sponsoring authorities concerned. Full justification will have to be provided by the applicants for additional requirements. In the case of small-scale units, however, supplementary entitlements would be allowed under the automatic licensing system itself; the face value of the normal import licences would be raised by 10 per cent in lieu of the supplementary entitlements.

Export production and promotion are to be fostered in several ways. All those units which export at least 20 per cent of their output are now eligible for getting licences on the basis of the value of consumption of imported raw materials, irrespective of the value of licences obtained during last year. These units can also have their own preferred sources of finance. In the case of certain specified non-traditional export products, the exporters will be entitled to additional 10 per cent of the normal replenishment rate. Manufacturer-exporters and eligible export houses have been allowed to obtain automatic imprest licences for importing raw materials and components provided they are prepared to undertake a corresponding export obligation. In the matter of issuing these imprest licences, greater preference is envisaged to be shown to cases in which fuller utilisation of installed capacity is sought to be achieved for export production. The system of securing bank guarantees in discharge of the obligation against advances and imprest licences has been relaxed a great deal in view of the difficulties experienced by exporters in arranging such guarantees owing to the tight credit policy.

A provision has also been made in the policy to facilitate better utilisation of import entitlements earned by manufacturers against exports for importing machinery, tools and instruments, etc. Another provision seeks to protect exporters from variations in the quantum of import assistance owing to changes in policy. All contracts which are registered with banks, irrespective of their values and delivery periods, will have this protection. Exporters have been further provided liberalised facility to obtain raw materials from indigenous producers for export production. Any manufacturer

or exporter having an import licence for any item will be free to either import that item or obtain supplies from indigenous sources at negotiated prices. These supplies by the indigenous producer will be treated as his exports if the item concerned carries import entitlement. Such supplies will also be taken into account in the discharge of export obligation of an indigenous producer.

The export houses scheme has been tightened up a great deal; so also the export obligation scheme. The minimum export performance for the grant of the status of export house has been raised from Rs 25 lakhs to Rs 50 lakhs so that only exporters with substantial export turnover can avail of the facilities available under the export houses scheme. The export obligation of some industries whose products are in demand abroad has been doubled from five to 10 per cent. Some other modifications have also been made in the export houses scheme to encourage exports of small-scale units.

The import procedures have been simplified a great deal. Apart from the introduction of automatic licensing, the other important changes that have been made include: (i) automatic extension in the validity period of all import licences for raw materials and components issued on general currency area and rupee payment from 18 to 24 months; (ii) raising of the initial period of validity of CG licences from one year to two years, subject to the order being placed on the foreign supplier within a specified period; (iii) endorsement of additional items on REP licences by the licensing authorities concerned on the basis of the recommendations of the DGTD without such cases being sent to the CCI & E for clearance; (iv) increase in the validity period of income tax verification number issued to an importer from three to four years; (v) enlarging the list of items which are either not produced indigenously or whose indigenous production is not adequate so that import licences for them can be issued without the importer having to advertise his requirements in the Indian Trade Journal for finding out their availability from indigenous sources, etc.

In a nutshell, the import policy for the current financial year has been imaginatively conceived. With the recession in the world prices of several imported products, the significant liberalisation effected by the policy in the value of imports should, in fact, enable much larger physical imports. The recession itself can help increase physical imports of the items cleared by the DGTD by seven to eight per cent. The liberalisation in imports apparently has been assisted by the bumper rabi crop and the expectations that the indigenous production of such items as iron and steel, non-ferrous metals and fertilizers would go up substantially this year. Should the power situation ease, as expected, the overall industrial production would get substa fillip. This should throw up larger pluses for export. Exports last year doubtedly have done very well; they expected to aggregate to Rs 3,250 cr as against approximately, Rs 2,483 c in 1973-74. The likely target of Rs 3 crores for the current year should no beyond reach even though the unit va of some export items have tended to line in the recent months. The cur wide trade gap—estimated around 1,000 crores for 1974-75—of course, not be filled up this year as much dep on food, oil and fertilizer imports.

Duty hurts exports

THE REPORT of the jute delegation which recently visited the USA and Canada under the leadership of Mr S. C. Bose Mullick, secretary, Export Production, union Commerce ministry, seems to have encouraged hope in the jute industry that the government of India will take some immediate and effective measures to improve its competitive capacity. Although this has been described as a "fact-finding" delegation, most of the facts disclosed by it have been quite well known to the government and to the industry. Nevertheless, the report is important since the delegation consisted of senior officers including the Jute Commissioner, the Economic Adviser to the ministry of Commerce, the chairman of the Jute Corporation, and the industrial Adviser to the government of West Bengal.

It may be recalled that in June 1972 a joint government-industry delegation had visited the USA, Canada and some other countries under the leadership of Mr Y. T. Shah, then additional secretary to the Commerce ministry. This delegation had said that a reduction in prices through a cut in the cost components of jute goods was necessary to strengthen the jute industry's position in foreign markets. It had suggested that in regard to carpet backing the prices of Indian goods be reduced to about 16-18 cents a square yard which was the then prevailing quotation for synthetic backing. It had served that the prices of hessian sho be brought down and stabilised. It found that the price gap between hess 40 ins and 10 oz and the equivalent s thetic fabric was too big to be covered a cost reduction of all known factors

This delegation had made many ot specific proposals for augmenting export of various categories of j goods, for strengthening research act ties, for improving public relations, for undertaking the production of r types of jute fabrics. But how many the Shah delegation's recommendatio have been actually implemented?

A major proposal made by the B Mullick delegation relates to the aboliti of the export duty on carpet backi This is considered to be urgently nec sary in order to counter the competiti from synthetics. The delegation found that the share of jute primary bac ing in the USA has dropped from per cent to 25 per cent in recent yea The delegation feels that the aboliti of the export duty will help to improve t competitive position of carpet backing at least three cents a square yard. B it is not clear why the delegation has n favoured the removal of the duty on he sian although its price in the USA about 16 cents a square yard compared 13.6 cents in the case of the synthet substitute.

The export of both carpet backin and hessian to the USA has sharp declined in recent years. There

l a strong case for abolishing the t duty but will the union Finance ry agree? It does not seem to ap- te that the export duty not only s our earnings of foreign exchange creates intense resentment among s abroad. "To them", said the n Jute Mills Association last year, xport duty represents a quite un- nted tax element in the price they for imported goods. In this case, are likely to interpret it as an at- t to hold them to ransom and capi- on the present shortage of synthe- Such an impression, however base- might gravely impair the confidence goodwill on which healthy trade ions are built."

he Bose Mullick delegation has ted out that though the cost of syn- ics has increased by about 30 per , the price has been kept steady for past three years. The synthetic ma- cturers have not only absorbed the in price but are resorting to effective smanship and are also said to offer e discount to oust jute carpet backing n the market. In this background, e is clearly a need to reconsider the ort duty. The revenue from the ort duty on jute manufactures was 17 crores in 1973-74. The budget es- ate for 1974-75 was Rs 15 crores but revised figure was Rs 30 crores. The lget for 1975-76 estimates it at Rs 25 res. The Finance ministry has al- ys been reluctant to revise or remove ort duties even when persistently pres- l by the Commerce ministry. But now t the prospects for the export of jute ods have become really bleak, it re- ins to be seen how soon the Finance nistry will act in regard to the export ty.

The Bose Mullick delegation has also ggested that stocks of jute goods should built up in the east coast of the USA an insurance against interrupted sup- y. But this proposal will not be of uch help unless both the government India and the government of West engal take effective measures to stop the equent disruption in the production of te goods. It is bad enough that the xport is affected due to the non-avail- bility of shipping space, irregular sailings, sharp increase in freight rates and power shortage. But what is much worse is the interruption to production often caused by the activities of trade unions for political reasons. It is significant that out of a total of 142 work-stoppages in the jute industry in 1973, only 11 were directly related to the employer-employee relations. It seems doubtful whether the government of India is really aware of the impetus given to the growth of synthetics as a result of the inability of the jute industry to ensure regular supplies.

As the IJMA pertinently pointed out in February this year, "The financial loss, serious as it is in the present state of health of the industry, is of secondary importance when judged against the long-term damage to the jute industry's image caused by repeated and prolonged labour strikes. "The inherent limitation of the industry's operating on a long supply-line is inevitably compounded when buyer confidence in jute goods and in the capacity of Indian mills to ensure adequate availability and continuity of supply is shaken by the total stoppage of shipments in the event of a strike. It is supply uncertainties and interrupted shipments more than high prices which help to quicken the pace of substitution of jute by synthetics, and two long-duration strikes over a space of 12 months have undoubtedly caused all over the world a panicky flight away from jute".

The government of India should take quick action on the recommendations of the Bose Mullick delegation to enable the jute industry to strengthen its hold not only in the USA and Canada but also in the other markets. Apart from the reduction or removal of export duty, the industry should be assured of adequate credit. Last year, the IJMA had said that the credit curbs had "seriously impeded the industry's efforts to maximise production and meet the increased demand for jute goods in the world market". But the situation in this regard continues to be practically the same as before. The government should ensure that the industry operates at the higher level of efficiency so as to be able to safeguard the interests of jute growers and workers as well as maximise the earnings of foreign exchange.

Lags in state farms

A GOOD deal of satisfaction is being derived by the management of the State Farms Corporation of India (SFCI) from the steady improvement in the working of this public sector undertaking since the turn of the current decade. This is not unjustified for both in terms of production and profitability, the corporation has been registering an uptrend during these years. Between the agricultural years 1970-71 and 1973-74, the output of the corporation of various crops, the important among them being paddy, cotton, moong, wheat, gram, barley and rape and mustard, went up from 122,875 quintals to 233,430 quintals. Last year's output was, of course, marginally lower than that of 1972-73 (when it was of the order of 229,847 quintals) due to shortage of power for irrigation purposes and inclement weather at some of the 12 farms managed by the corporation.

The turnover in financial terms has recorded even more satisfactory progress. The total sales in 1970-71—about 146,656 quintals—brought in nearly Rs 117.15 lakhs. Last year, sales aggregated to about 191,701 quintals; they brought in approximately Rs 344.29 lakhs. The maximum turnover in quantitative terms —nearly 200,447 quintals—however, was recorded in 1972-73. The proceeds in that year at approximately Rs 219.30 lakhs, of course, were much lower than in 1973-74. This was due to two factors: general upswing in agricultural prices in 1973-74; and the proportion of seeds in the aggregate sales showing a marked improvement from nearly 71,172 quintals to about 109,535 quintals.

The output of seeds which are marketed by the corporation as "truthfully labelled quality seeds", in fact, has been going up very significantly right since

1970-71. In that year, 37,047 quintals of seeds were produced. The sales aggregated to about 30,698 quintals. In the subsequent year, when production rose to 71,723 quintals, sales amounted to nearly 54,958 quintals. The year 1972-73 saw further improvement in output to 122,485 quintals and in sales to approximately 71,172 quintals. Production in 1973-74 was marginally lower around 120,643 quintals, out of which sales were effected to the extent of approximately 109,535 quintals. The non-seeds output during these years has been 85,828 quintals, 84,276 quintals, 107,362 quintals and 101,297 quintals, respectively. The non-seeds sales have been of the order of about 115,958 quintals, 79,854 quintals, 129,275 quintals and 82,166 quintals, respectively. The accent on production of seeds has been in terms of the charter of the corporation.

The improvement in sales has led to a substantial increase in the profitability of the corporation, particularly during the last year. The gross profit in this year (before providing for depreciation, the phased writing off of developmental expenditure, etc.) amounted to Rs 158.58 lakhs, as against Rs 98.37 lakhs in the previous year. The net profit during the two years worked out to Rs 123.77 lakhs and Rs 69.19 lakhs, respectively.

But it will be erroneous to construe from the above that all is well with the working of the corporation. In fact, the chairman of the undertaking, Dr D. P. Singh, himself admitted a few days ago while releasing to the press the results of the 1973-74 working of the corporation, that the productivity of most farms left much to be desired; it was not only low but was also not increasing according to expectations.

Low productivity has been attributed by Dr Singh to four main reasons: (i) inadequate, erratic and untimely supply of irrigational waters from canals; (ii) poor irrigational efficiency at field level due to lack of land levelling and shaping, lining of channels and defective irrigation system at some places; (iii) overall inadequacy of irrigation and consequent dependence on the smiles of the rain god; and (iv) lack of initiative and drive in the field staff for higher production. It is true that some of the farms have been taken over only recently by the corporation and irrigation facilities there cannot be created in a short span of time. But the lack of adequate effort in this direction at some of the older farms is, indeed, regrettable.

Equally disconcerting is the revelation by Dr Singh about the lack of initiative and drive in the field staff, especially when their emoluments and welfare are well catered for. It is high time that the public sector personnel realise their responsibilities to the nation which has invested large sums in their undertakings. The returns from these enterprises, though it has improved to some extent in the last couple of years, still leaves much to be desired. The SFCI is no exception to this general trend; its five per cent dividend for the last year cannot be termed very satisfactory. Even this declaration has been made possible by the uptrend in prices which resulted from unduly large monetary expansion in the three years to 1973-74 and shortfalls in output, particularly of foodgrains. The prices of both seeds and non-seeds outputs of the SFCI registered substantial increases last year.

The corporation has drawn up an ambitious plan to double its yield, treble its turnover and quadruple its income by June 30, 1977. To achieve this, sizeable investments are to be made in development programmes, including creation of irrigation facilities. But the goal can be attained only if the plea of Dr Singh to the staff that they should get fully involved in their work is heeded to. Dr Singh, of course, has done well in preparing a scheme for the training of employees so as to equip them with the latest technological advancements. A close liaison is proposed to be maintained with agricultural universities, project co-ordinators of research institutes and other agricultural experts so that the latest technical know-how may be available to those working at the farms of the corporation. Short-term training courses are an essential component of the scheme. By the end of 1978-79, the programme is to raise the producti high quality seeds—henceforward t marketed largely as certified seeds over three lakh quintals of cereal s 13,400 quintals of seeds of millets, 7 quintals of seeds of pulses, 31,400 c tals of oilseeds, 22,400 quintals of tu and over 2,000 quintals of seeds of c crops. Last year, the corporation duced truthfully labelled quality s to the following extent: paddy 29 quintals; wheat 46,736 quintals, g 30,057 quintals, barley 599 quin moong 1,928 quintals, rape and mus 1,410 quintals, cotton 50 quintals, others 10,305 quintals.

The corporation's irrigation deve ment programme, which envisages creasing of area under irrigation f the present 8,258 hectares to nearly 12 hectares in the next few years, should a long way in improving its producti even though it will come to about per cent of the total area of the s farms. Let not this programme hampered by lack of resources. experimentation with the sprinkler s tem of irrigation obviously is a step in right direction. It needs to be follow up vigorously. If successful, it is exp ted to increase the command area of irrigational well by 200 to 300 per ce The plea of Dr Singh for the grant exemption to the SFCI from the gove mental ban on the construction of n functional buildings in order to eff economy in expenditure, deserves to acceded to, especially in the case of farms which are in the initial stage development.

An important activity which SFCI may take over, along with its p sent tasks, in a more concerted way the compilation of reliable data abo the cost of cultivation of various crop To some extent, this work, of course, already being done by the corporati and agricultural universities. But inad quacy of this data is being increasing felt when fixing the support and procur ment prices for various farm product The SFCI with its farms located different parts of the country an working on commercial principles, in deed, can render a very useful service i this regard.

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

lathi Committee's Final Report • BHEL's Performance • Leather Exports

FINAL report of the Jaisukhlal ai Committee, which was constituted last year to suggest ways and means nsuring adequate availability of essen- drugs and common household medi- s at reasonable prices particularly in ural areas, and also to recommend elines, for a rapid growth of the gs and pharmaceuticals industry ng the current five-year Plan, has mitted its final report. Dealing pri- ily with the future growth of the ustry (as the quality and price as- s of drugs and pharmaceuticals have ady been dealt by the committee in wo interim reports—one submitted to government in March this year and other a few month earlier), the final ort does not seem to contain any prises.

As could be expected, the committee nderstood to have expressed itself in our of only a limited role for foreign drugs and pharmaceutical ncerns operating in the country. It is d to have recommended that the eign firms must raise participation by lians in their equity in the near future 60 per cent and eventually to at least per cent. The nationalisation of eign firms has not been recommended the committee; there was divergence opinion among the members of the mmittee on this issue.

ndian participation

The off-loaded equity, the committee understood to have opined, should be ken up either by private Indian com- nies or preferably by the government self through public sector undertakings public financial institutions. On the hole, the committee has favoured a eater role for the public sector in the anufacture of essential and life-saving ugs.

Another important suggestion of the ommittee is that there should be established expeditiously a national drugs authority to formulate policies regarding planning of production and distribution and also for the import of foreign technology required for production purposes.

The committee has reiterated its recommendation in the second interim report that the use of brand names by foreign companies should be effectively checked as it adversely affects the development of the indigenous industry. It has identified 117 essential drugs for mass production and 13 others the brand names for which should be abolished and which should be marketed through generic names. The two lists correspond to the ones contained in the second interim report of the committee.

indigenous maaufacture

The committee is further said to have emphasised that the foreign companies which produce formulations based on imported bulk drugs, should be asked to manufacture the bulk drugs locally in a specified period so that the undue drain on foreign exchange resources can be obviated and the local industry can be developed on sound lines. It has also been suggested that 50 per cent of the production of a foreign concern in excess of licensed capacity should be taken over by the government. Action should also be taken against such firms under the laws of the land.

In the formulations field, the committee has recommended greater role for the public sector. It feels that 60 per cent of the bulk drugs produced by the public sector undertakings should be formulated by them and the remaining 40 per cent should be sold to the private Indian companies, particularly those in the small sector. This suggestion apparently has been made to improve the profitability of public sector undertakings which at present are primarily engaged in the manufacture of bulk drugs on which the return is very low.

Notwithstanding the fact that the small-scale units do not always have adequate quality control facilities, the committee is understood to have attached great importance to the development of the small-scale sector in the drugs and pharmaceuticals industry. The two main methods suggested by it for this purpose are: (i) raising of the monetary limit for investment in plant and machinery; and (ii) offering of concessions.

household remedies

The committee has suggested that foreign firms should be barred from producing and marketing such common drugs and household remedies as aspirin and vitamins. Those foreign companies which are making them at present ought not be allowed to expand their production.

The committee has suggested a selective price control on drug formulations. No price control, it thinks, is necessary on formulations based on the 13 basic drugs identified for the purpose of abolishing brand names. It desires price control to be lifted from units having an annual turnover of less than one crore of rupees.

In the case of bulk drugs, exemption from price control has been suggested on items in which there are no imports and whose total sales do not exceed Rs 20/25 lakhs a year. In respect of other bulk drugs, it has been recommended that the system of price regulation based on detailed cost examination should be continued, subject to the price being fixed in such a manner that an efficient manufacturer is able to get a return on his capital employed which is a little higher than that available on formulations for the industry as a whole. A post-tax return of 12 to 14 per cent has been suggested on paid-up equity and reserves as the basis for fixing prices for bulk drugs produced in the country.

The committee desires that in the

case of formulations, price control should be limited to products whose sales exceed Rs 15 lakhs per annum.

The government's decisions on the committee's report are expected to be taken shortly. The ministry of Petroleum and Chemicals has already started bestowing a serious thought on the issues involved.

* *

Bharat Heavy Electricals Limited (BHEL), indeed, can now be expected to keep its promise of meeting all the equipment requirements of the current Plan's power development programme, which have not yet been tied up. During the year just gone by, this undertaking is understood to have turned out equipment capable of generating as much as 3,000 MW of electricity. This exceeded the target for the year by about 50 MW and the previous year's output by nearly 800 MW. Compared with 1972-73, the last year's output was higher by as much as 1,950 MW. In the earlier three years—1971-72, 1970-71 and 1969-70—the undertaking had produced equipment to generate only 285 MW, 375 MW and 496 MW respectively.

In terms of value, BHEL has been able to register even a more impressive performance. In 1969-70, it produced equipment worth Rs 70 crores. By 1971-72, despite the setback to physical output, the value of the turnover had gone up to Rs 103 crores. Equipment worth Rs 141 crores was turned out in 1972-73 and Rs 228 crores in 1973-74. Last year it was targeted to raise the turnover, to Rs 289 crores, but actually it rose to nearly Rs 310 crores.

The improvement in turnover, both in physical terms and value-wise, since 1971-72 is fully reflected in the profitability of the undertaking. In 1969-70 and 1970-71, BHEL incurred losses to the extent of Rs 9.26 crores and Rs 5.13 crores. It showed a modest profit before tax of Rs 2 crores in the subsequent year, Rs 13 crores in 1972-73 and Rs 27.2 crores in 1973-74. Last year's profit is estimated to be around Rs 48 crores.

Another highlight of BHEL's last year's performance has been that out of the 1,700 MW additional generation capacity created in the country during the year, 1,400 MW was created with the equipment supplied by this undertaking. Next year the undertaking has planned to raise its output to 3,800 MW, valued at nearly Rs 400 crores. This target is in line with the power development programme of the current Plan.

The new transformers unit of the undertaking at Jhansi and the foundry/forge plant at Hardwar are expected to be completed by the middle of next year. Both these projects, if completed by then, would have been set up within less than 30 months. The expansion of the Tiruchi unit is expected to be completed this year itself.

The major problems which the undertaking is understood to be facing at present is the thinning out of new orders and the mounting arrears of payments due from state electricity boards. The arrears till a few weeks ago had exceeded Rs 125 crores.

* *

Soon after the success achieved by the State Trading Corporation (STC) a few months ago in tying up a deal with a French firm for the supply of shoe uppers, this public sector undertaking has been able to arrange with the SAC group of France a collaboration arrangement for the export of processed leather on a significant scale from the Rajasthan Tannery —a project of the Rajasthan state government.

Under an agreement signed last week' the French company will provide technical know-how required for the production of finished leather at the Rajasthan Tannery to the specifications of the manufacturers of leather goods in France and some other west European countries. The agreement also stipulates a guaranteed offtake by SAC of at least 70 per cent of the total output of the Rajasthan Tannery, which, when the tannery is in full production, will be of the order of about Rs 1.5 crores. The tannery was set up rec at a cost of about Rs 1.8 crores.

The French firm will not only r available technical know-how but essential chemicals required for finis leather to French specifications. It further agreed to make advance paym for its purchases from the tannery w at any given time can go up to Rs 45 la The supplies of chemicals have t secured by the STC through imprest li ces under its IRMAC scheme or thro import licences otherwise. The cur contract is for a period of five years. runs smoothly, it is proposed to be tended by another three years.

The Rajasthan Tannery has a capa to process nearly 72,000 hides and sl per month. Ultimately, the capacit proposed to be doubled. No techn collaboration fee is to be paid to S for its assistance. The French collabo tor has offered to provide training fac ties for Indian personnel in France.

The SAC group is one of the larg organisations in France engaged in manufacture of footwear. They are p ducing five million pairs of footwear annum worth about Rs 24 crores. W five companies owning nine factories France, they are employing over 1, people.

The above two developments shou augur well for stepping up leather expo in the future. The ultimate aim of STC is to enlarge to the maximum exports of leather goods and process leather. A provision has been made the above agreement with SAC for a pos ble tie-up between this French organis tion and the Rajasthan Tannery for ports of ready-made uppers in the fi instance and complete footwear later when the tannery goes in for downstrea units.

Mixed economy: will it survive

J.R.D. Tata

BEFORE WE go any further, let us be clear on what we mean by a mixed economy which, almost by definition, is not easily definable. Somewhat like the legendary elephant of "the six blind men of Indoostan" who sought to describe it by touch, it can take many forms and has many aspects. To simplify matters, however, we may, for the purpose of this talk, exclude, at one end of the economic spectrum, those economic activities which, in our country, are nowadays accepted as falling exclusively within the government sector, such as rail and air transport, telecommunications, armaments, atomic energy and the like, and, at the other end, farming, small-scale and cooperative industries and all self-employing activities, about the private ownership and control of which no controversy arises.

In the present context, therefore, we may confine ourselves with that sector of the economy represented by organised industry, trade and finance, the ownership and control of which could, in a mixed economy, rest either with government or with private enterprise, or with both.

go-by to laissez faire

There is today hardly any country in the world outside the communist bloc which does not have a mixed economy. In fact, even countries which call themselves socialist would object to theirs not being described as a mixed economy, for it would imply that it was a totalitarian one, while countries like Germany or Japan, usually thought of as having typically free enterprise economies, would do the same; for, otherwise, it would imply that theirs was a 19th century laissez-faire economy.

Thus, throughout the non-communist world we have various models of mixed economies, although "mixed-up" economies might, in some cases, be a more appropriate term. Even within the communist bloc, Yososlavia, for instance, could be said to have a form of mixed economy of its own.

The concept of a mixed economy is a creation of the post-World War II era when nations sought ways of rebuilding their shattered economic life. It emerged as a rational compromise between the views of the Left and the Right, under which nationalisation is resorted to only where and when considered essential; the private sector is encouraged and spported as well as regulated by the state; taxation is high but not confiscatory; autonomy is the key-note of government-owned enterprises; and planning is indicative rather than authoritarian.

Text of the keynote address by Mr Tata to the symposium on "The Responsibilities of Industry and Government in our Mixed Economy", orgainsed by the Associated Chambers of Commerce and Industry of India in New Delhi on Friday, April 4, 1975.

The essence of the concept is, therefore, clear. The respective share of the state and of private enterprise in the ownership, and management of economic assets may vary from country to country, but they invariably co-exist.

In India, at the dawn of its independence, extraordinarily favourable factors existed for the creation and growth of a mixed economy. For India had a highly intelligent and mature political leadership dedicated to democratic ideals and to evolution rather than revolution, a dynamic entrepreneurial class, an efficient and honest bureaucracy, the beginnings of a powerful industrial infrastructure, including what was then one of the biggest integrated steel plants in the British Commonwealth. Above all, there was a remarkable confluence of views between the newly elected leaders of India and leaders of private enterprise. In fact, the latter were in some respects ahead of the former, for the so-called Bombay Plan, which a group of them submitted in 1944. was the first to make the raising standards of living of the masses of the principal post-independence tive, to advocate centralised pla to call for massive investment in de ment in a mixed economy in whic vate enterprise must be truly enter and not an instrument of mere acqui ness, and the fruits of enterprise a bour must be fairly distributed an withheld from the many for the of the few.

pragmatic approach

On the other side, political leaders ted a remarkably pragmatic and non logical approach to economic prob Mahatma Gandhi strongly oppose over-powerful state, while Jawa Nehru, Vallabhbhai Patel and other ported the concept of a mixed eco in which nationalisation was to b sorted to only where absolutely nec in the national interest; the growth public sector was to be in the form of ing new assets and not of confis existing assets, private enterprise w play an important and continuing the private and the public sectors w be looked upon not as separate en but as parts of a single organism.

Nowhere else in the developing did the private sector so unequivo support planning and restrained, so conscious, free enterprise, and po leaders so clearly commit themselv realistic economic policies and to an e tionary, mixed economy in which sectors would play their full part in b ing up the nation.

A striking example of this unity of pose and mutual trust was governm approval in less than a month of the tion, as early as 1947, of Air-India I national as India's first joint sector e prise, with its management entrust the private sector partner. Another w showed that this spirit of cooperation mutual trust between government private enterprise remained alive in

were the creation of ICICI, in the government of India, private g and industry, together with foinancial interests joined in creating, innovative and practical way, an tant new source of investment and inance for the private sector.

ally, it was significant that when the tries (Development and Regulation) Was passed in 1961, introducing a rehensive system of industrial lig, Indian private industry accepted h good grace.

dness of concept

e performance of the Indian economy the mid-fifties to the mid-sixties, y reflected the soundness of the mixonomy concept. Industrial producrose at an annual rate of 8 to 9 per a rate never known before or since dia's economic history. A vibrant tment market made it possible for and new entrepreneurs to raise fresh al in the market. Scores of new stries developed in both the public private sectors, and the real national me, in spite of the low rate of th of agricultural production, rose n annual average of about 3.3 per . It is true that this period did the introduction of very high rates taxation and that at the beginning the second Plan period there was hort-lived ideological upsurge; but cannot be gainsaid that during this ade the Indian economy in general Indian industry in particular, put up mpressive performance indeed.

Infortunately, despite the magnificent short-lived achievement of the Green volution, this momentum could not maintained in the subsequent years, ng partly to the shock and strain of wars with Pakistan, and the massive ux of refugees in 1971. Thereafter, a rp and alarming deterioration took ce. In the last five years in particular rate of growth of industrial producn achieved in the earlier period fell almost two-thirds, registered unemyment rose by more than five million, Indian rupee lost over 40 per cent of purchasing power, and the gross nanal income, in real terms, remained gnant, and because of the growing pulation, the per capita income aclly fell by about 2½ per cent.

Today, as we look upon the sombre onomic scene and view the wreckage so many of our earlier hopes, we may well ask in some bewilderment, what happened to the dynamic collaboration between government and private enterprise which had so successfully launched India on the road to economic growth and to the liberation of the masses of our people from their age-old poverty and misery?

It is not part of my task today to discuss the main causes of the general decline in the country's economic progress in recent years. The natural causes as well as the man-made ones are well known anyway and have been and are being discussed endlessly with, of course, the buck of responsibility for them invariably passed on to others. While shortages in coal, transport and power, and labour unrest exacted their toll in both the public and the private sectors major areas of the private sector were subjected to a drastic change in government's earlier attitude towards its role in the mixed economy, and to policies which crippled its ability to function effectively.

growing controls

In negation of Jawaharlal Nehru's earlier pronouncements, major sectors of private enterprise, including air transport banking, insurance, coal and copper, were nationalised, all of them on confiscatory terms. The Constitution was amended again and again to subserve the economic policies of government wherever they were incompatible with the Constitution; fundamental rights were abrogated, culminating in the 25th amendment which abolished the very concept of compensation injustifiable; whole areas of economic activity in which the private sector had always operated were denied to it or severely restricted; a formidable panoply of laws, regulations and controls over the operations of private sector companies was created and constantly expanded until owners' rights and most of management's freedom of action were extinguished; India became the most heavily taxed nation in the world and taxation on individuals was made confiscatory; a virtually total government monopoly of investible and lendable funds was created by nationalising banking and insurance; the privately owned funds so seized were used to acquire an ever-growing share in the ownership of joint stock companies; a mandatory convertibility clause was attached to all term loans from financial institutions for the avowed purpose of bringing private sector enterprises under state ownership.

As a result, in addition to the 50 per cent of industrial and mining assets which government have themselves estimated will be under the direct ownership of public sector enterprises by 1980 or so, government will have acquired, directly or through its agencies, so dominant a share in the ownership of private sector companies that anything upto 80 per cent of the country's total industrial capital will belong to government. Between such ownership and government's all-embracing controls over the operation of private sector companies, under which they are deprived even of such clearly managerial functions as the right to appoint their top executives and fix their remuneration, government's stranglehold will then be so complete that, for practical purposes, the private sector and therefore the mixed economy itself will have ceased to exist as an effective economic force.

I shall no doubt be dubbed a Cassandra, but whatever our individual assessment of the situation and of the private sector's future prospects may be, it surely behoves all of us at this time to awaken to realities and at least to seek to understand the underlying causes of the changes which have taken place in government's attitude and policies towards the private sector and which now threaten its very survival.

crisis of confidence

As I see them, the two main causes lie in a crisis of confidence on the one hand, and in ideology on the other. In regard to the first, there can be no doubt that not only within government, but in parliament and in large sectors of public opinion, there has been, over the past ten years or so, a feeling of growing mistrust towards the business community, particularly towards large enterprises, now commonly referred to as "large houses".

In the course of a speech I made in Madras as far back as 1969, I took pains to analyse and identify the main causes of this mistrust. As I said then, and repeat here.

"The most important and damaging cause of suspicion and hostility towards private enterprise in our country is the fact that ethical standards adopted in the past by some elements in trade and industry have not been as high as they should have been, and in some cases have been atrociously low. Immense damage has been caused to the image of private business and industry through the depredations, misdeeds and conspicuous expenditure of a few

individuals heading large enterprises who in their pursuit of wealth, profit and self-aggrandisement, have wantonly disregarded the public interest."

Until the belated and still somewhat half-hearted measures recently taken by government to curb black marketing and smuggling and similar offences, punishment for tax evasion and corruption has been conspicuously absent in our country, even where their existence is known and visible to all. While there has thus been no deterrent to economic crime, not even the loss of reputation, government have themselves, through their economic and fiscal policies, been to a great extent responsible for the emergence and uncontrolled growth of black money, tax evasion and corruption.

new phenomena

In a recent company chairman's statement I asked why, forty years ago or so, tax evasion, black money and corruption did not exist in our country. I pointed out:

> "There was no black market then, no black money, no corruption. There was no black market because, unlike today, there were no shortages of essential goods without which no black market can exist; there was no black money because there was no black market and because, unlike today, individual taxation was not such as to ruin the affluent honest tax-payer and enrich the dishonest one; there was no corruption because, unlike today, the present monstrous system of licences and permits did not exist and there was therefore no one to demand or receive a bribe in return for granting them. If tax evasion, black marketting and corruption are rampant today, the major responsibility lies with government's misconceived economic policies, as a result of which the masses of the people have become poorer, crooks have enriched themselves and the country flounders from one crisis to another to extricate itself from which it has to beg year after year for foreign aid."

Finally, has not the ruling party condoned economic misdeeds and corruption by openly collecting illegal contributions, mostly in black money, for its election funds?

Whatever the causes, and whoever is responsible for the existence of black marketing, black money and corruption, is it right or fair to tar the whole of the business community with the brush of guilt and condemnation, and to refuse to differentiate in the treatment which should be meted out by government to the innocent and the guilty?

We now come to the delicate and explosive subject of ideology, which I consider the principal cause for the drastic change which has taken place in government's attitude towards the private enterprise sector of the mixed economy.

spate of nationalisations

Government spokesmen always assure us that ideology plays no part in their economic policies, but the evidence to the contrary is overwhelming, unless, of course, it is argued that socialism is not an ideolgiocal concept. The spate of nationaalisations on confiscatory terms; the continuous flow of legislation, enactments, ordinances, regulations, directives and controls which have progressively vested in government, economic powers so vast and so comprehensive as to be unknown in any other democratic country and surpassed only in totalitarian states; the succession of constitutional amendments which have deprived the people of some of their fundamental rights; the accession to critically important positions in government of a number of persons of strong Marxist persuasion, most of whom had been members of the communist party; the widespread use of typically communist jargon such as the dubbing of all larger houses as "Monopoly Houses" and their outright condemnation although the Dutt committee had categorically exonerated the majority of them from any blame; and, finally, the repeated public declarations that socialism, not a welfare state, was government's goal, all these bear clear testimony to the ideological inspiration of the ruling party's economic policies.

Having established this point, let me say that it is perfectly understandable, in a country like ours, so large a proportion of whose population is desperately poor, that the human and philosophical aspects and the basic objectives of socialism should draw many to its fold. Thus the socialism of the Webbs and Harold Laski attracted many of the world's non-communist intellectuals, amongst the most prominent of whom was our own Jawaharlal Nehru who, to his undying credit, called for a pragmatic approach to economic problems and refused to be stampeded into extreme socialist reforms. This is clearly reflected in a speech to the Congress in 1955 in which he said; "There is no choice before us between havi private sector and allowing and enco ing it to function, and not having it a It is foolish to have a private sector then to undermine it and prevent it functioning. I personally think that for the proper functioning of the p sector it is desirable to have a compet private sector."

It is not to socialism as such that of us dedicated as I am sure we all a the betterment of the life of our pe object, but to the kind and conten socialism to which, step by step, country is being committed. We w support and gladly work for the de cratic, decentralised concept of so ism, which has transformed all communist countries which have a ted it into welfare states, and bro immense benefits and security to people.

incipient dangers

We do object, however, to the adop in India of a socialism which is increas ly indistinguishable from the Ma variety of a totally planned and regim ted economy, to the incipient dangers which neither our intelligentsia nor public at large seem to be fully alerte yet.

This failure to recognise, in time, real shape of things to come and to re it, is at least, in part, due to the insidio ly soporific effect of the gradualness w which momentous changes have been troduced in our economic life. I have doubt that if they had been sought to brought about all at once, when th who won India's freedom and the fou ing fathers of our Constitution were al the reaction would have been inten swift and decisive.

But another reason for the apathe acceptance of the continuous erosion private enterprise from the corpor sector leading to its ultimate eliminati possibly lies in the questions and dou which exist in the minds of some intell tuals. For instance, they ask: how va is the argument that a mixed economy *sine qua non* of democracy? Or that t disappearance of the private sector wo automatically lead to a totalitarian ec nomy? And why, once we have an ef cient and autonomous public secto should we need private enterprise at a Why couldn't a totally state-owned ec

co-exist with political demo-

e are questions that deserve to be red in depth, but there is no time for attempt to do so today. Apart that, I doubt that any answer how-valid coming from a spokeman of e enterprise would satisfy the doubts ch questioners. I will, therefore, nt myself with asking them, in turn, uestions of my own: First, whether onomy in which all freedom of choice ent and the state is virtually the sole r, the sole employer, the sole inves-he sole producer and the sole distri-, can be anything but a totalitarian omy? Second, whether such an eco-can function effectively without the le being subjected to strict political rol to ensure that they comply with state's decisions? In other words, her a totalitarian economy can func-except within a totalitarian political ronment?

they still believe that it is possible to olish an economy in which private rprise is eliminated, except in agricul-, small-scale and self-employing in-ries, and the ownership, management control of the means of production distribution are centred in govern-t, and at the same time to retain in the tical sphere the free democratic way ife we have today, I would urge them ook around the whole of the world and themselves why this combination does exist anywhere and why the economy very democratic country is, in fact, a ed economy.

o courses

There are, I submit only two effective s in which a country like ours can un-take and carry through the formidable desperately urgent economic tasks ing it. One is to follow the totalitarian d, which through regimentation and orced obedience at all levels has ad-tedly achieved results in communist ntries. The other is the democratic d of a mixed economy, adopted by every n-communist developed country of the rld, where by harnessing and building enterprise and initiative of people and nsferring the bulk of the fruits thereof the masses, more spectacular economic d social progress has been achieved re quickly than by totalitarian regimes.

On the other hand, countries like India, rma, Pakistan, Sri Lanka and others, d now to some extent Great Britain, which have vacillated, as we have, between these two major solutions, continue to flounder in economic stagnation.

The time has come, I submit, when a decision one way or the other can no longer be delayed in our country. If the majority of our people, through their elected representatives, are convinced that despite the terror, regimentation and loss of freedom to which they would be subjected, the country's progress and their own liberation from their poverty and suffering, can only be achieved by adopting communism, let their will be done.

But, if the majority of our people believe, as I do, that India, with its great material resources and with the skills and talents of its mature people, can progress just as well and as rapidly as Germany, Japan, Singapore, Malaysia and others have done by democratic means and without sacrificing the cherished freedom so recently won, then, for Heaven's sake, let it be decided, once and for all, that the Marxist solution is totally unacceptable. Let the country recognise the mixed economy as the only democratic and efficient instrument of economic progress compatible with social justice.

programme of action

If we fail to make an unequivocal decision, our economy will continue to stagnate while our population continues to grow, and we shall end up before the turn of this century under a dictatorship or in a state of chaos and violence.

What do I suggest?

Assuming that the majority of our people and their elected representatives do not want a dictatorship of the Left or the Right, today or in the future, I suggest that a firm decision be taken that, at least for a reasonable priod of years, the mixed economy be not merely tolerated but encouraged and treated as the main instrument of economic growth with social justice.

Once the above decision is taken, I suggest:

- that such facilities and conditions be allowed to the private sector of the mixed economy as to enable it to function effectively and to produce the results expected from it;
- that all economic policies be result-oriented and free from ideology;
- that economic controls which do not serve essential national purposes such as encouraging production, preventing abuses and protecting weaker elements be abolished or liberalised;
- that the economic effort of the nation, from some years, be concentrated primarily on expanding the purchasing power of the people through massive employment schemes in the rural areas where the bulk of the people live; on producing and distributing fairly the people's basic consumption needs; on making absolutely sure of the essential requirements of power, fuel and transport, without which neither the aims of fuller eploymentnor the needs of mass consumption can be met;
- that government reward and not punish successful efforts at raising production in excess of licensed capacity at least in priority industries;
- that new entrepreneurs be encouraged by providing them with specific incentives, assistance and rewards rather than by shutting out existing ones;
- that fiscal and economic policies be such as to encourage private savings and investment instead of deterring them, so that the private segment of the mixed economy does not remain wholly dependant on government financial assistance;
- that recognising that stock exchanges and other private sources of finance have an important role to play in promoting and canalising investment, government subject them and investors only to such restrictions and controls as are essential to preventing abuses or malpractices;
- that the right to convert into equity capital a part of term loans made by government financial institutions not be made mandatory in every case as at present, but be left to the discretion of the boards of the institutions concerned to exercise such rights, when and on such terms, as they may find commercially justifiable;
- that government spokesmen give up using misleading Marxist jargon such as the expression 'monopoly houses'' to describe firms or enterprises which are patently non-monopolistic.
- that the primary function of the Monopolies Act be to identify genuine monopolies and curb restrictive trade practices;
- that government restore to the boards

of private and public sector companies the freedom to manage their enterprises, including the right to appoint executives and fix their remuneration, government intervening only to prevent abuses and to ensure that, all large and strategically important industries are soundly managed;

● that government be ruthless towards those found guilty of malpractices in both sectors, but recognise and encourage good and honest management;

● that government strictly enforce the ban on corporate contributions to the election funds of political parties, for the devious ways in which the ban is allowed to be flouted is a prime source of corruption in the country;

Having thus ventured, in all humility, to proffer advice to our rulers and legislators, it is only right that I should take it upon myself to do the same to my peers in the private sector.

If a mixed economy is to survive in our country and prove itself the most efficient instrument of growth and economic progress with social justice, it is imperative that those in charge of the private sector of that mixed economy play their part in the spirit of trusteeship advocated by Mahatma Gandhi, and be conscious of their obligations not only to their shareholders, employees and consumers, but also to the community and the country as a whole. There is no room in the India of today for selfish men whose unrestrained acquisitiveness, tax evasion, black marketing, illegal foreign exchange transactions and conspicuous spending bring distrust and disrepute to the Indian business munity and jeopardise its very surv

Notwithstanding the somewhat c less view of the present and fears fo future I have expressed in my remarl day, I still believe that, with a r to sound and practical economic po and with voluntary or compulsory rence to the moral values of our forefa and of those who won India's freedc their sacrifices and dedication, India overcome its seemingly intractable p lems, bring to its people, within the decade or two, relief from their po and distress, and, in the process, s to countries distraught despite their mense material prosperity, a way o in which people can fulfil their mat and spiritual needs and live in pe dignity and contentment.

Can industry pull up the rural sector

Arvind N. Mafatlal

Paper read by Mr Arvind N. Mafatlal at the Assocham symposium.

WE HAVE completed 25 years of planned development in our country, and the results are, by no means, insignificant. We have achieved considerable progress in the industrial and agricultural fields, as also in other sectors. Quite an impressive array of statistics can be produced in support of this.

However, even with all this progress, it has not been possible to reduce the number of people below the poverty line in the country, particularly in rural areas. Poverty and unemployment have caught 40 to 50 per cent of our rural people in a vicious circle from which we have not so far been able to extricate them. The development strategy so far adopted has unfortunately only accentuated economic inequalities. The economic progress in the rural areas has been highly inadequate in relation to either intrinsic potential or to the demands of social justice. Whatever progress we have achieved in agricultural development such as green revolution, has touched only a fringe of our rural people, and has in fact, widened the gulf between the rich and the poor.

The main cause of poverty in our villages is lack of productive employment. There is not much scope for off-farm jobs in rural areas for the reason there are not many non-farm economic activities in which rural people can be gainfully employed. The rural sector is thus starved of employment opportunities both in the industrial and agricultural fields.

The solution to this chronic problem of unemployment and poverty in rural areas, I am now convinced, is to select and introduce a production technology which is labour intensive, to motivate rural people to adopt this technology by developing their faith in it and to build up an organisation for imparting modern management techniques for effective utilisation of the inputs for maximum productivity and income. Our goal should be to ensure a net income of at least Rs 3,000 per year per family. I would like to share with you this morning the experiences of Shree Sadguru Seva Sangh Trust in rural development and how we have sought to translate these ideas into action.

Again and again, in the course of our work, we realised that motivation of r people is an essential pre-requisite rural economic development. Unless t desire for better life is awakened, economic programme implemented fr outside will not have much chance success. Success is possible only when villagers are emotionally involved when they effectively participate both planning and implementation of the p gramme.

Shree Sadguru Seva Sangh Trust i voluntary organisation established Param Pujya Shri Ranchoddasji Maha for organising relief programme in most backward areas of our country. T programme of organising and distributi of the nutritious food called Sukhdi to lakh rural people everyday throughout t drought affected areas of Maharashtra 1972-73 which was entrusted to the tr by the state government may be cited typical of our activities. More than 3 officers of the industrial group with whi I am associated were actively involv in this job for nearly 6 to 7 months. effecient distribution and transportati system was established to see that t Sukhdi reached the people in time ever day. The staff of our industrial group a Shri Sadguru Seva Sangh Trust were hig

otivated by the tremendous cause that were serving.

e have started this programme again year in the drought and scarcity affec-reas of Gujarat and I am glad to say we do not have any difficulty in find-motivated people to undertake the lenging task. I may also share with on this occasion my thrilling experie- in the several Eye Camps we have nised under the auspices of Shri guru Seva Sangh Trust. In each of camps, more than one thousand nteers worked round the clock brav-the vagaries of the weather. This d not have been possible without sionary zeal.

am mentioning these instances to em-sise the fact that workers and staff nbers involved in rural development uld have a sense of dedication without ch it is not possible to motivate rural ple.

tivating villagers

Having realised that relief operations imes of floods or droughts are not a manent solution to the recurrent prob-s we have initiated programmes for io-economic development of rural ople in selected centres in a few states. ch of these centres has been working der the leadership of able men who have untarily come forward to work for ri Sadguru Seva Sangh Trust, often rificing their own otherwise prosperous d lucrative careers. These local leaders rk with only nominal honorarium. ey shoulder the enormous task of moti-ting village people for action and for tiating several economic development d community activities. It is a thrilling perience to witness tribal people in the ost backward areas using irrigation wa- for the first time to produce a second bi crop of wheat after the normal kharif ddy crop. The nomadic Maldharis no, for generations, were used to move th their cattle in search of fodder are w willing to settle down and cultivate dder and adopt scientific methods of ttle rearing. In another village, a drink-g water well costing nearly Rs 10,000 as been constructed by the villagers emselves. Roads have been built and rm lands have been levelled through self-elp under the guidance of local leaders. Vadgas village in Ahmedabad Distr., e water which used to go to waste in a illage drain has been diverted through anual work and impounded in the illage tank. The village which formerly id not have enough water even for the attle to drink is now having a sufficient supply which can provide protective irrigation in kharif for at least 200 acres.

The enthusiasm generated in these villages from such activities is almost unbelievable. In many villages people have given up age old drinking and gambling habits. They have become receptive to new ideas and have become restless for taking up development programmes. All this is the result of motivation of rural people. They spring into action when they see a sincere helping hand and then it is for us to channel their enthusiasm into constructive activities. Motivation is the key which opens the gates of village communities for their socio-economic development. It is this task which Shri Sadguru Seva Trust has been performing.

The second important pre-requisite to rural economic development is the adopting of a suitable production technology which is labour intensive. Unfortunately most of the technologies introduced so far for increasing agricultural production in rural aras have been capital intensive, ignoring the vast unemployed manpower resources lying idle in our villages. Consequently, the benefits of all the programmes and schemes so far introduced in rural areas have accrued mostly to the affluent sections of the rural community. This has widened the gulf between the rich and the poor.

labour intensive projects

Agriculture is the focus of rural activity. Of the 49 million agricultural holdings in this country, over 40 per cent are less than one hectare in size, about 34 per cent between 1 and 3 hectares. Besides, there are landless labourers — a quarter of Indian popultion — who depend, for their livelihood, mainly on agricultural operations. Some 66 per cent arable area is under dry farming and accounts for only 42 per cent of our total agricultural production. A farmer's family with five acres of rain fed land puts in hardly 50 to 60 mandays of labour in a year ; and the rest of the time they struggle to find some additional jobs, even uneconomical or unproductive. Therefore the solution to the problem of unemployment and poverty in rural areas lies in the adoption of a labour intensive producuon technology capable of increasing the income of rural families. This technology should be capable of adoption by the entire farming community, more particularly by small farmers and landless labourers.

Some of the statistics I mentioned above reflect the predominance of small farmers in our rural areas, not to speak of millions of landless labourers. The majority of these families owning small plots of dry lands cannot produce the minimum income desired from the present cropping patterns, and therefore are much below the national poverty line. It is therefore necessary to help each of such families with an enterprise which depends on the product of its meagre holding, and which fetches it an income of at least Rs 3,000 per year.

sharing experience

How I would like to share with you some of our experiences with the introduction of cross-bred cow into the economy of rural people both land owning and landless. There are many prejudices against the introduction of cross-bred cow into rural areas, and many of these are based on sentiments, wrong information, reluctance or even refusal to be convinced. But the rural poverty and the consequent social disparities have reached almost an explosive stage and we cannot afford to neglect any fruitful avenue for uplift of the rural poor any longer.

The starting point for maintenance of cross-bred cow by a small farmer or a landless family is the local non-descript cow itself. This local cow has to be cross-bred with the semen of a proven sire to produce a cross-bred progeny. We have to ensure that the sires selected for this purpose have a proven performance ability to transfer to their offspring, a milk yielding capacity of the order of at least 2500 litres per lactation. It is only then that maintaining a cross-bred cow becomes an economic proposition. If a farmer were to have 3 cross-bred cows, all born to his local cows, he can be assured of a minimum income of Rs 3,000 per year. Of course, getting and maintaining cross-bred cows requires three essential services at the doorstep of the farmer:

(a) Effective artificial insemination service with semen from proven sires.

(b) Health cover to the cross-bred cows.

(c) Supply of green fodder and concentrates.

If these services are ensured, cross-bred cows can be maintained not only by small farmers but also by landless labour and they can earn an income of Rs 1,000 per cow per year. A farmer with a small holding can set apart a portion of his land, at least one to two acres, to produce green fodder. There are certain varieties of fodder which can be cultivated with minimum water supply and still produce about 20 tons of green fodder per acre

per year. The Drought Prone Area Programme of the government should give the highest priority for the production of green fodder and afforestation both of which are essential preliminaries to dairy development.

We have been developing these programmes in two ways: Compact pieces of lands of about 100 to 1000 acres are being obtained by Shri Sadguru Seva Sangh Trust on lease and green fodder is being produced for sale at very reasonable prices to small farmers and landless families maintaining cross-bred cows. Governments are being prevailed upon to set apart funds under their DPAP budgets for this purpose. Farmers owning their lands under public irrigation systems are being persuaded to earmark a part of their land for production of green fodder. Philanthropic individuals and institutions are coming forward with 'Godan' which could be for the benefit of landless families interested in maintaining cross-bred cows. Fortunately, our cultural heritage is still alive and this 'Godan' can be utilised for providing gainful employment to marginal farmers and landless families. Three cows in a family would provide employment all the year round, and a minimum income of Rs 3,000 per year which will raise the family above the poverty line.

role of industry

Fortunately we have found in Bharatiya Agro Industries Foundation at Uruli Kanchan, near Poona in Maharashtra, an organisation which has developed appropriate rural development technology including those of cross-breeding of cows, dry farming and fodder production. It has presently one of the finest stocks of pure-bred Holstein and Jersey breeds of cattle. A semen bank is being built up there. A foot-and-mount vaccine production factory is coming up at Uruli Kanchan. A number of extension centres are being started to transfer this technology to the rural people. Our group of industries are actively associated with Bharatiya Agro Industries Foundation in extending to it support both in terms of financial resources and management expertise. While the production technology is developed by the Bharatiya Agro Industries Foundation, the responsibility to build up a sound management system and to obtain financial resources for the foundation is undertaken by our group. I am firmly convinced that this, in essence, is the role of industry in stimulating rural development.

There is considerable scope for developing other suitable production technologies for rural areas. I may cite one or two problems in this connection, requiring the attention of industry. Gobar gas plants are being much talked about in recent years. In the context of the shortage and high price of inorganic fertilizers, gobar gas plants assume a great deal of importance and urgency. Yet, we do not seem to have made much progress in harnessing the easily available resource of organic manure. There appear to be a number of problems relating to the designing and operation of these plants. Cannot our chemical plant manufacturing industry take up this challenge, and help in their installation and efficient working all over the country? This has to be done with a sense of urgency. Similarly the engineering industry can help in designing, installation and working of a large number of windmills, particularly all along the west coast where the wind velocity is suitable to their operation. Also the problem of saline water for irrigation has to be tackled.

challenging task

Of course, all these problems require further research and experimentation to evolve processes suitable for extensive use all over the country. But the commitment of industry to these challenging tasks is very urgent in the interest of stimulating equitable and rapid rural development.

The third important contributory factor to successful rural development is the organisation which provides for both local involvement and outside expertise, technical as well as managerial. We have promoted registered societies under the 1860 Societies Registration Act in the centres where we have initiated rural development programmes. These societies have a a membership of between 500 and 1500, both farmers and landless labourers. A representative management committee attends to day-to-day aspects of the programmes undertaken. A board of trustees representing Shri Sudguru Seva Sangh Trust, one of the Mafatlal Group of companies associated with the centre, government, the financing institution and the local community ensures that the programmes undertaken are viable. The trust also helps the society in obtaining financial resources for its programmes, and the management expertise. We have found this type of organisation is effective in developing the ability of the rural people to manage their affairs.

Besides these societies, it would be necessary to form corporations for a larger area, such as dairy develop corporations, either for a district or gion or even for the whole state. corporation should undertake the ponsibility for promoting the progra of cross-breeding of cows, productic fodder, marketing of milk and its prod processing of milk and other related vities. The corporation should also u take to promote registered societies I just mentioned earlier.

specialised corporations

Such corporations have been forme some states, for instance the Bunc khand Dairy Development Corporatic UP with which I have the privilege o ing closely associated. We have also working closely with the Marathv Dairy Development Corporation in M rashtra. These organisations are neces for successful implementation of the duction technology of the type I explained above. It is therefore neces for industry and business to prom such organisations for rural growth.

Time does not permit me to elabo further on the various other activitie ready initiated on the lines I have explained. I invite you all to Kutch Surendranagar districts in Gujarat wl you will be able to see for yourself three organisations, Shri Sadguru S Sangh Trust, Bharatiya Agro Indust Foundation and Mafatlal Group work together and in a well coordinated man to implement these programmes. Pilot monstrations have been started for prod ing fodder with slightly brackish water the Banny area of Kutch. The results h been so far very encouraging. Once success of these trials is confirmed, a r jor break-through will have been ach ved to bring the almost barren stre of 800 square miles of banny land un fodder, and to settle the Maldharis p manently with the productive program of cattle breeding for milk production. would also invite you to Uruli Kanch and you will find your visit rewardi Apart from the cross-breeding of co and green fodder production with bet water management practices, we ha introduced powerlooms on cooperati basis in villages where there has been preponderance of landless labourers. O group has provided these societies w technical and managerial assistance. Oth activities on the same lines are possible rural areas to energise the rural life, a I am quite sure, once you are active associated in rural development, you w have other innovative ideas to stimula

mic activities for the benefit of rural e.

m not a rural development expert, less an agricultural expert, but as ith some experience in the industrial , I have been actively involved in plicationof this experience to solve allenging problems of rural devent. For this transformation in my f life, I owe a debt of gratitude to evered guru Shri Ranchhoddasji raj who inspired me to take scrious interest in the problems of rural poverty.

Of course, rural development is no bed of roses, it has its trials and tribulations. One should be ready to face setbacks and frustrations. But when the overall objective is clear, all the problems ultimately get sorted out and one gets a sense of fulfilment. It is this experience of mine that I am very happy to share with you.

Industry and business can demonstrate that it can implement a major idea like the one I have outlined in any suitable location in the country. We shall be happy to extend to you whatever help we can in any such venture you may embark upon. I am quite sure if we in industry and business take up this challenging task in a few districts in this country, it will have a very significant impact on the course of rural life and ultimately on rural poverty. This would be the most satisfactory contribution we can make to the eradication of poverty and unemployment, the twin problems impeding rapid national development.

Business economists on the economic outlook

N.J. Jhaveri

LE 'CONSENSUS' is the watchword ng practising politicians (in this count any rate), dissension is a characteri of an assembly of professionals, ining economists. The Business Economs' Group, which met on March 7 8 at the Indian Institute of Management, Ahmedabad, for its annual session, no exception to this. Despite lack of nimity, however, the basic strand unying the discussions was one of caus optimism reflected, negatively, in absence of prophesies of gloom, and itively, in a constructive inquiry into blems relating to the level and the pat- of investment.

s in the other two sessions, in the first which dealt with 'The Economic tlook in 1975-76', two papers were preted. Taking a position on likely economic outcome during the next year, ich tantamounts to short-term foreting, is a tricky job. Such forecasting, ttempted in a rapidly changing econoc situation (and that too, in acountry e ours) does involve, what one might l, a weathercock element. The latter nsists in projections in the future, to me extent at least, of (relative) improvent or otherwise, in the economic condins prevailing at the time of the forecast. any rate, cautious optimism portrayed one of the papers, was adequately dged by making favourable turnout in 75-76 contingent upon fulfilment of veral conditions, including the eternal n-economic exogenous variable, viz., ercy of the Weather-gods and also aintenance of political stability.

When it came to energy, portrayal was ot so optimistic. Ruling out likelihood improvement in transportation of coal and distribution of power, continued under-utilisation of industrial capacity and interruptions in output were considered inevitable. In regard to foodgrains output, it was pointed out that even good rainfall, which could certainly raise output to an extent, cannot have any impact on the major restraining factor, namely, overall shortage and limited distributional coverage (only one-third of the districts, according to one estimate) of fertilisers.

Discussion on recession, which dominated the first session, rightly expressed concern at the impact of recessionary trends on sagging real investment. Alluding to the Plan holiday during 1966-68 and consequent industrial recession, the need for stepping-up public sector investment was stressed. The proposed increase in Plan expenditure in 1975-76 came in for criticism being inadequate in real terms, both in relation to the present requirements of the economy and the fifth five-year Plan targets. Concern was also expressed at the distortions caused by reallocation of investment pattern, in accordance with short-term expediencies, through 'core sector', the composition of which keeps on shifting. (This point was discussed in detail in the third session). It was pointed out however, that the basic constraint on investment step-up was paucity of savings. There was, unfortunately, only scanty discussion on feasibility and means for raising additional resources for public investment and consequences thereof for the economy.

In the second session also, which had 'The Cotton Textile Industry' as the topic for discussion, the problems of overall paucity of resources (for the industry) and intra-industry allocation of resources predominated. It was argued that the material cost of indigenous production of coarse cloth, as measured by unit of land locked in producing cotton per yardage of coarse cloth, is quite high. Due to low productivity, the surplus earned by farmers engaged in producing short-staple cotton is not high. Nor are the wages of labourers (mostly unorganised) engaged in producing coarse cloth. In fact, the argument went on, there could be a porfitable trade-off between import of raw materials for making synthetic fabrics and foodgrains output (which could replace present food imports) realised from land released from cotton crop.

While inconsistency between government's cotton policy, which encouraged indigenous production of long-staple cotton as an import-substitution measure, and the cloth policy, which, in consonance with objectives of social justice stressed manufacture of coarse cloth, was considered at the root of this problem, import of synthetic raw materials was neither considered to be the only alternative, nor the best option. Adverse income and employment effect of switching over to synthetic fabrics could be catastrophic for the decentralised sector, and hence socially unacceptable. It was considered far more desirable if the government were to direct its research and other efforts to improve the productivity of short-staple cotton, which accounted for nearly four-fifths of area under this crop.

Point was also made that unless gains in productivity are passed on, at least in part, in the shape of reduction in the cost of cotton to the cotton textile industry and steps were taken to increase profit plough-

back through liberal depreciation allowances, expansion of the industry (estimated to involve investment expenditure of Rs 1100 crores during the fifth five-year Plan), would remain only the 'fond hope' of the planners.

Coming back to the macro-level, the third session considered modifications in the fifth five-year Plan, the final frame of which is yet to emerge. It was a foregone conclusion that in real terms investment will have to be pruned down. Seizing this opportunity, it was argued, why not restructure the fifth Plan in a realistic manner? Taking into account the fact, learned from our past experience, that poor performance in the agricultural sector and inadequate growth in the power sector are the two main constraints on realisation of industrial output targets, why not reformulate the fifth Plan in terms of only these two sectors?

While there was agreement with the restraining influence of agriculture and the power sectors, the major question raised was how to integrate such a strategy, which could at best be a short-term planning strategy, with a long-term perspective Plan. Again, should not growth in exports be provided as an explicit objective, along with the agricultural and the power sectors?

In the absence of implications of the two-sector approach on other (derived) sub-sectors having been fully spelt out, reactions were bound to be varied. At one extreme, while imbalances and shortages in different sectors were envisaged if investment strategy concentrates on two sectors, another view was, bearing in mind high priority accorded in the fifth Plan frame to the agricultural and the power sectors, there may not be marked differences in the sectoral growth pattern as envisaged in the fifth Plan and the one that would emerge if the two-sector approach is translated into growth rates in the supporting sub-sectors.

As always happens in group discussions, and which one realises with the benefit of hindsight, there were some digressions in the discussion which were wasteful spending of the scarce resource, namely, time. On the whole, however, discussions were focussed around the core of the problems. Incidentally, one is not sure what prompted the group to meet in Ahmedabad. Presumably the choice of place was motivated by a desire to have equal regional distribution in the matter of venues of meeting. Apart from warm hospitality, significant beneficial fallout of this decision was the very active participation of the IIM (Ahmedabad) faculty, which, in no small measure, contributed to the quantitative and qualitative aspects of discussions.

WINDOW ON THE WORLD

Slowdown of international tourism

Jossleyn Hennessy

London

I

A New Tourist Situation

URISM HAS been among the sectors st strongly affected by the energy ce rise. The report of OECD's tourism mittee "Tourism Policy and Interional Tourism in OECD Member intries, 1974", just published, desbes the developments both before and er the crisis began. Here are some of report's highlights.

The slower rate of expansion of ernational tourist traffic in 1973 and sharp decline during the first half 1974, together with the uncertainty used by the rising rate of inflation, the ergy situation, the deterioration in untries' balances of payments, and he slower rate of economic growth, are reating in a new situation for ourism.

On the whole, international tourist raffic in the OECD member countries ontinued to expand throughout 1973, hrough at a lower rate than in 1972, hus reflecting the stability observed in he volume of private consumption desbite improved economic growth comared with 1972. Tourist arrivals in the OECD member countries and Yugoslavia increased by four per cent in 1972, reaching approximately 155 million, while nights spent in 14 European member countries and Yugoslavia totalled 660 million, an increase of four per cent compared with six per cent in 1972. In terms of dollars, the foreign exchange earnings from tourism of all member countries taken together increased by 22 per cent to $25,000 million, but this figure was artificially swollen by comparison with 1972 because of changes in exchange rates and inflation.

The main features of 1973 were a fairly marked expansion in international tourist traffic to certain Mediterranean member countries, the United States, Japan and Australia, a 10 per cent fall in nights spent by American tourists in Europe and a further increase in tourists coming from West Germany and Japan. West Germany continued to play a leading part in European tourism, and for the first time West German tourist expenditure in foreign currency was one-fifth higher than that of the United States. The number of Japanese nationals going abroad exceeded two million for the first time.

The total number of passanger transported by scheduled and charter services on the North Atlantic increased by only nine per cent compared with 18 per cent in 1972, mainly reflecting the substantial increase in the number of European visitors to North America and the increase of only 1.5 per cent in American visitors going to Europe. In Europe, passenger air traffic increased by 12 per cent.

Domestic tourism continued to expand, and there was a continuing rise in the number of departures on holiday in the tourist's own country. Nights spent by tourists of the country concerned in registered accommodation accounted for more than half the total number of recorded nights in most of the member countries. In some countries, nights spent by national tourists increased more than nights spent by foreign tourists.

There was a further rise in investment in the tourism sector, particularly in the construction, modernisation and extension of hotels. Annual rates of occupancy of hotels fell compared with 1972 in most of the member countries, reflecting both increased hotel capacity and the shift towards supplementary forms of accommodation. Monthly rates of occupancy showed that the peak period is still concentrated in the summer months, with maximum rates of between 56 per cent and 87 per cent depending on the country.

sharp decline

The first months of 1974 showed a further reduction in international tourist traffic which reflects the sluggish world economic situation following the oil crisis.

The trend in most of the OECD member countries suggests that:

1. Decisions concerning summer holidays were often taken at the last moment in particular for foreign travel whether individual or organised.

2. Destinations chosen sometimes had to be modified as a result of events in certain countries, which has caused a certain geographic redistribution of tourist flows.

3. Demand has been directed more towards destinations which are nearer than usual, and towards the most economic types of accommodation and transport (recovery of travel by rail; increase in camping and caravaning holidays and in stays with relatives or friends).

4. Length of holidays and daily expenditure have often been been reduced.

For the first time there has been a particularly marked fall in departures

of American tourists to Europe. There has also been a falling-off in demand for organised travel—inclusive tours, charter flights and cruises.

During the first seven months of 1974 the number of passengers transported by IATA member companies on scheduled air services on the North Atlantic showed for the first time a fall, of seven per cent compared with an increase of 10 per cent during the corresponding period of 1973. Also, North Atlantic charter traffic of these companies fell by 30 per cent, whereas it had increased by 38 per cent during the first seven months of 1973. The overall reduction has thus reached 10 per cent. These figures mainly reflect the reduction in departures of American tourists to Europe, which is estimated at 16 per cent for the first nine months of 1974 as compared with the corresponding period of 1973. Arrivals of foreign visitors at frontiers fell by four per cent in Canada (five months) and two per cent in United States (five months) and increased by only five per cent in Japan (six months), compared with the corresponding periods in 1973.

fall in arrivals

Statistics covering arrivals and nights spent by foreign tourists in the European member countries for the first three to seven months of 1974 show that the situation varies from country to country, but up to now the general trend is downward, although an improvement may have taken place in certain countries during the summer months. Arrivals of foreign tourists at frontiers have fallen by 32 per cent in Yugoslavia (four months: including excursionists). 13 per cent in Greece (five months), 11 per cent in Switzerland (seven moths: arrivals in hotels), 10 per cent in Spain (eight months) and in Iceland (six months), six per cent in Italy (four months), two per cent in Denmark (eight months) and one per cent in Portugal (three month) and the United Kingdom (six months). At the same time, night spents by foreign tourists in hotels and similar accommodation have fallen by 10 per cent in Portugal (four months), 10 per cent in Switzerland (seven months) and in Denmark (seven per cent) and five per cent in Yugoslavia (four months).

On the other hand, arrivals of foreign tourists at frontiers have increased by 15 per cent in Turkey (four months), nine per cent in Austria (five months), six per cent in the Netherlands (three months: arrivals in hotels), two per cent in Germany (five months) and in France (three months) and one per cent in Ireland (six months), while nights spent by foreign tourist have increased by five per cent in Austria (five months), four per cent in the Netherlands (three months) and one per cent in Italy (four months). However, the increases registered in these countries are, in general smaller than those registered in 1973.

Almost all countries recorded a decline in tourist flows from the main tourist generating countries (United States, France, United Kingdom, Benelux, Italy, Scandinavia) but tourist traffic from West Germany continued to expand.

According to OECD forecasts of economic trends up to mid-1975, the situation will only improve gradually and it is likely that the OECD area as a whole will still experience some [...] nation in international tourist traf[...] 1975.

II

New Policy for Tourism

For the last two decades internati[...] tourism has been playing an increasi[...] important part in the economies of [...] member countries' and the foreign [...] change which it earns is at pre[...] more than five per cent of total visible [...] invisible earnings of these coun[...] taken together, not counting rec[...] from international transport. It is th[...] fore desirable that this activity, w[...] is particularly sensitive to econo[...] changes, as well as being of special [...] portance to many countries wh[...]

TABLE I

International Tourist Receipts and Expenditure of OECD Member Countries

(rounded figures in million of[...]

Country	Receipts 1972	Receipts 1973	Expenditure 1972	Expenditure 1973
Austria	1,679	2,190	553	821
BLEU	433	628	709	1,043
Denmark	491	578	374	499
Finland	229	283	147	195
France	1,921	2,390	1,573	2,155
Germany	1,854	2,183	4,513	6,504
Greece	393	515	66	73
Iceland	8	13	8	13
Ireland	157	193	113	..
Italy	2,174	2,373	1,049	1,459
Netherlands	740	963	867	1,204
Norway	207	246	212	288
Portugal	391	514	153	232
Spain	2,608	3,216	190	271
Sweden	181	219	679	718
Switzerland	1,062	1,369	438	578
Turkey	104	172	59	93
United Kingdom	1,367	1,672	1,309	1,665
Total European Member Countries	**15,999**	**19,714**	**12,900[1]**	**17,810[1]**
Australia	196	206	454	484
Canada	1,218	1,446	1,450	1,742
Japan	201	209	774	1,251
New Zealand	62	78	115	138
United States	2,717	3,250	4,944	5,371
Total OECD Member countries	**20,393**	**24,903**	**20,637[1]**	**26,796[1]**
Yugoslavia	491	630	..	..

Notes (1) Totals of expenditure exclude Ireland.

* Figures, some of which are provisional, exclude receipts and expenditure on accou[...] of international fare payments, except for Canada and Turkey.

* Figures for Canada, Ireland, Switzerland, United Kingdom and United States a[...] based on sample enquires; figures for the other countries are based on ban[...] returns.

mic progress depends on it, should intained at a level sufficient to unfavourable effects on interna- payments and on the economy of er countries in general.

ourism has been directly affected by ew oil situation which was felt in reduced supplies and in increased s of petroleum products. While the age, which was mainly experienced e end of 1973 and the beginning of had on the whole only limited s on tourism, the rise in prices, on ther hand, had the almost immediate t of increasing the cost of private l by car and tourist fares, in parti- r air fares. At the present time the ts of this increase in costs on tourism ot be distinguished from the general ts of the current economic climate its psychological aspects.

h rate of inflation

The present slowdown in economic vity and the high rate of inflation most member countries, together with measures already taken by govern- nts in the fiscal, monetary and credit ds to meet the internal and external nomic situation are likely to affect rist demand, especially for internatio- travel. Higher propensity to take idays at home rather than abroad may, wever, compensate for a fall in tourism nand from abroad.

In view of the serious deterioration balance of payments caused by the e in prices of petroleum products, me countries have already taken steps reduce tourist expenditure abroad by eir nationals. In present circumstances, ilateral measures of this kind, if neralised, would aggravate the external yments probems of the other countries nd depress international tourist traffic nd the tourist industry.

For this reason OECD's tourism ommittee has noted with great interest e declaration of the OECD council ministers at ministerial level of May, 0, 1974, in which governments of mem- ountries affirmed, *inter alia* their deter- ination to avoid, for a period of one ear, taking general or specific unila- eral measures to restrict imports, or imilar measures affecting other current perations which would be contrary to he declaration. The tourism committee onsiders that it is important that mem- er countries should maintain at least he foreign currency allowances which hey at present grant for travel abroad n accordance with the OECD Code of Liberalisation of Current Invisible Operations, and should avoid any measures which could discourage interna- tional travel.

The present situation should lead governments to review their torism fore- casts and to take account, in their tourism development policies, of all the factors that make up domestic and inter- national demand, as well as the increased competition likely on the international tourism market. Further development of accommodation and other tourist faci- lities may now need to be more selective if good profits are to be won.

To committee considers that the present slowdown in the high tourist growth rate may have the advantage of providing a further opportunity for more rigorous examination of the costs and benefits of tourist development, not only from the economic but also from the social and environmental point of view. The committee believes that this basic approach is essential in order to ensure that tourism development is soun- dly based economically and, at the same time, that it is consistent with social and environmental priorities. Given poli- cies for future development of tourism which take account of social and eco- nomic profitability, tourism can make a positive contribution to improving the quality of life.

TABLE II

Tourist Travel to European Member Countries

	1969	1970	1971	1972	1973
By United States Residents					
1. Number of visitors departing from the US ('000)	2,285	2,783	3,030	3,666	3,720
2. *Change on previous year*	+22%	+22%	+ 9%	+21%	+ 1%
3. Average length of stay (number of days)	29	27	26	27	24
4. Number of nights spent ('000) (1×3)	66,265	75,141	78,780	98,982	89,280
5 *Change on previous year*	÷17%	+13%	+ 5%	+26%	—10%
6. Total expenditure of US visitors ($ million; transatlantic fares excluded)	1,075	1,310	1,373	1,645	1,800
7. *Change on previous year*	+16%	+22%	+ 5%	+20%	+9%
8. Average expenditure per visit($)	470	470	453	449	494
9. Average daily expenditure ($)	16,90	18,00	18,50	18,00	21,00
To the United States by Residents of European Member Countries					
1. Number of arrivals of visitors from European member countries ('000)	892	984	1,113	1,306	1,623
2. *Change on previous yerr*	+8%	+10%	+13%	+17%	+24%
3. Total expenditure by visitors from European member countries ($ million; transatlantic fares excluded)	264	318	367	452	559
4. *Change on previous year*	+17%	+20%	+15%	+23%	+24%
5. Average expenditure per arrival of visitor (3/1) ($)	296	323	330	346	344

What irks Europeans?

Vienna
E.B. Brook

MUCH HAS been happening in Europe in the first two weeks of April, all far more than merely European significance. GATT ploughs pluckily through the immense amount of work it has before it to bring world trading on to a more equitable level; in Paris the energy talks labour to find a compromise that would resolve the differences between the developed and less developed industrial and other nations and open the way to a meaningful full discussion on prices. In Brussels the European Common Market has been plagued by the protests of British fishermen against the imports of French as well as Norwegian catches, of British farmers against the import of French eggs and of French wine merchants against the import of Italian drink.

Altogether a hot two weeks with east Europe alertly looking on for the best bargains to be picked out of the western mess, France allegedly flouting the Market over a cooperation pact with Poland and West Germany staging huge successful business-buying exhibitions in Moscow. And, of course, all the while the British wrestle with their world-famous consciences whether or not to remain members of the Market.

a sticky start

The energy talks in Paris have made a sticky start. The Algerians, keeping up their big to be the so-called "third world's" leaders, stress the talk's aspect of a confrontation between the world's "haves" and "have nots" in a way that is not a little unrealistic in so far that those who have the money and techniques have not the oil and those who have the oil have not, for the most part, either the money or the techniques. The Americans, under suspicion of trying to use the conference and every other means to destroy OPEC, stand almost alone in grimly trying to keeps the talks to oil. The French hosts are more flexible, diplomatically speak of deep-reaching differences as "mere nuances", while Zaire has tried to temper the storm by proposing that two or three raw materials in addition to oil might be discussed instead of, if Algeria had its way, turning the talks into a debate over the whole range of economic relations between the industrial and developing states and a consideration of the prices of all basically essential raw materials.

Beyond doubt this conference, called at the insistence of the French in face of tenacious American opposition, is forcing the world to consider the long-evaded question of how much the industrialized states should pay for metals, energy sources and other raw materials they do not own in any significant quantity but which are essential for the continuation of their most profitable industries.

North Sea oil benefitting Britain, Norway and, potentially, France and Ireland and prospects of undersea oil off coast in much of east Asia and Australia, tempt the "haves" to play such a conference along until they see clearly their chance of developing their own oil resources and leaving Arabs, Libyans, Algerians, Nigerians, others in east Europe and South America to do what they can with their already ample and tapped supplies. Others are in no mood to string along with these delaying tactics. Asia, Africa and South America know they have the solid and liquid minerals and gases which make modern industry effective: they demand to be paid their true worth for these assets. Nations such as France and West Germany, either without these natural assets or with very few of them, are the keenest to get this energy conference really moving fast towards a workable and generally acceptable conclusion.

In this sense, these two states and a few smaller other Europeans in similar situation, are the conference's best friends. They are the Europeans in closest. if relatively unexpressed agreement with the Group of 77—a group of 104 after the ten-years of its existence within the UN— not in seeking "a new world economic order" but in willingness to use their weight to help developing countries achieve price agreements for all raw materials. In this respect, OPEC, concerned solely with oil, is not very pleased to see Venezuela using the oil price question to press for leadership among South American nations nor Algeria pressing ahead to be champion of the Third World.

cross currents

There are many currents — economic, political, even religious—within this international ploy and Germany's free trading instincts run not a little counter to its more bright-eyed willingness to broaden the discussion a little to include materials other than oil. The French, with their diplomatic astuteness, replace one formula with another and recommend that the conference should show more finesse and deal separately with those dozen or so developing countries particularly dependent on a single product or whose materials, such as tin, zinc, phosphate, coffee, tea, cocoa, bananas or rubber are not available in significant quantity in the industrialized world. Zambia, with 9[…] cent of its exports consisting of cop[…] is clearly in a different position to Al[…] itself whose exports are far more va[…] The conference, still struggling for[…] acceptable formula, must, if it is to […] any success, avoid rigidity even i[…] finds flexibility difficult to develop. S[…] of the immense problems it seeks to s[…] have never really been tackled serio[…] before: in a sense, one could say i[…] seeking the final solution of econo[…] imperialism and, in doing so, must tr[…] avoid economic nationalism.

no quick success

The conference would have prospect[…] quicker success if the direful results[…] oil price increases foreseen four years […] had come about. But, so far from c[…] being laid up and shivering Europe[…] going to bed early to keep warm, they […] only swarm the streets more than ever[…] their cars, bathe buildings in linghts a[…] overheat their flats, they are now able[…] buy petrol in areas near oilfields a[…] oil storage centres at much cheaper ra[…] than before. While the Paris prelimina[…] talks speak of price war the world o[…] side ignores any proposal to avoid wa[…] and relaxes on a cushion of trouble th[…] never came true.

What is irritating the Europeans […] more than petrol and oil are gluts of pr[…] duce and very cheap imports of textil[…] shoes and other multi-produced goo[…] partly from Asia, partly from Euro[…] itself and, in the case of the USA, fro[…] west Europe. There are rivers of Itali[…] wine, unending streams of Japane[…] cars, enough shoes from Korea to ke[…] all Europe shod, textiles galore from Hon[…] Kong, Poland , Singapore and India a[…] fish by the shoal every day from Franc[…] Norway and the Soviet Union.

The problem this time is one for GAT[…] It can well be asked how long the rules […] GATT will suffice to prevent governmen[…] giving way from the growing pressure f[…] protection against the floods of suppli[…] arising from greedy fishing method[…] The Market's refusal to buy be[…] from outside its membership has se[…] Austrian and Yugoslav cattle as f[…] a field as Saudi Arabia and Japa[…] GATT's article 19 allowing non-di[…] criminatory protective action if seriou[…] economic injury threat from impor[…] has frequently proved ineffective, has bee[…] ignored more often than invoked an[…] needs sharper definition. The prese[…] "Tokyo Round" could make this defin[…] tion with advantage.

MOVING FINGER

Morarji Desai will
er normal health sooner and more
y than Mrs Gandhi her reputation
political acumen. Mr Mulgaokar,
ndian Express, writes of "human
pathy for a man who has served the
on with distinction" having won
e end. He also unburdened himself
e sagely thought that "human sym-
y is a well to which you can go too
n." That you can, no doubt; but it
ot given to everybody to drink deeply
hat well even once. Any stable boy
lead a horse to water, but not even
the king's men can make it drink. In
case it would be naive indeed to
me that the prime minister has acted
of human sympathy. On the sixth
of a 79-year old man's indefinite fast,
declared in Rae Bareli that the govern-
nt could not yield to pressure tactics.
t only that; she added that it was a
take to have conceded last year Mr
sai's demand for the resignation of the
n chief minister of Gujarat just because
fast Mr Desai had undertaken on that
asion was endangering his life. Surely
"human sympathy" she was bottling
till April 12 could not have burst
th the following day and overwhelmed
r to the point of committing the 'mis-
e' of once again stooping to save Mr
esai's life.

It is just not open to anyone to argue
at Mr Desai's fast could at any point
ve looked like being 'negotiable.' He
d made it clear from the very begin-
ng that he had resolved to fast inde-
itely in order to bring moral pressure
the government to agree to hold elec-
on to the Gujarat assembly within a spe-
fied time-limit. When therefore Mrs
andhi let him embark on his fast and go
rough the ordeal for seven days, she
new, as everybody else did, that Mr
esai would persist to the bitter end. In
ther words, when she did not accept Mr
esai's demand at the outset, and more
when she declared on the sixth day
f the fast that the government would
ot yield to pressure tactics, she should
ertainly have told herself that this time
e was not going to repeat the 'mistake'
f last year even on pain of (his) death.
If, nevertheless, she found herself doing exactly this on the following day, it was simply because the political arithmetic of the situation had left her with no choice. During the long week she was repeating to herself that the government would not relent, she was finding to her deepening disappointment and dismay that the mood within her own party, as much as the mood of the country at large, was becoming hostile to her way of thinking and even to her.

The point is that the country is no longer willing to let Mrs Gandhi have her own way in everything, in the faith that she alone know what is good for it, nor are her partymen as completely reconciled as hitherto to having her telling them all the time what is in the interest of the party. The Gujarat election issue is a matter in which the prime minister, as the leader of one political party among many, is an interested party. It follows that her judgment cannot be accepted as final and binding on all the other political parties or indeed on the electorate of Gujarat on the question of the timing of this election or on any point materially relevant to it. Normally, the Election Commission should have been so constituted and should have so evolved that it could almost automatically function as an arbiter in such matters. Unfortunately, this kind of tradition has not been built up.

In the circumstances, the only decent thing open to the prime minister is to settle these matters in constructive consultation with opposition parties. By not realizing this early enough Mrs Gandhi, by the time Mr Desai's fast moved into its seventh day, had placed herself in a situation where even her partymen, including some of her senior or close colleagues in the government, were finding it impossible to go along with her. In other words, Mrs Gandhi yielded to Mr Desai's demand on the issue of the Gujarat election because, by the time she came to do this, it had become the only course left to her of saving her political skin. In this sense, the saving of Mr Desai's life was incidental and the question of "human sympathy" irrelevant.

Journalists are reputed to be professional cynics, but when some of them find themselves writing leading articles they start seeing good in almost everything. The general tenor of the editorials in the daily press has been that the outcome of Mr Desai ending his fast is a gain for democracy. Surely, democracy is not fostered by such encounters between politicians in power and politicians in opposition. On the contrary, every time such a situation is brought about, the evolution of a healthy democratic political system is deferred or delayed. On the present occasion, for instance, there is only a remote chance of something worthwhile being salvaged. As *Eastern Economist* wrote in its leading article last week, the forthcoming election in Gujarat must be accepted and gone through by the political parties involved as a chance given to them of cleansing themselves and also our politics.

The suggestion is that Gujarat election should be carried out as a model of clean and responsible electioneering which has for its purpose the establishment of good government in the state. The principal requirement, of course, is that the use of big money should be avoided. Here the responsibility of the prime minister's party is greater and more obvious than that of any other political party. This is for the reason that her party is in a particularly strong position to command really big money for its election chest. I would urge upon her and the working committee of her party to resolve that the party is not in the market for large donations from businessmen or other moneyed individuals or interests—and abide by that resolution.

Once this self-denying discipline is proclaimed and honourably observed, the excessive spending of money to corrupt the electorate would be automatically eliminated. This would also help to elevate the general standards of electioneering across party lines. In the coming weeks the prime minister and her counsellors will no doubt be discussing tactics for winning the Gujarat election. Quite possibly, the one step that might start off her party from a position of tremendous prestige could be a publicly declared resolution on her part that she and her colleagues would fight this election as a model endeavour in clean politics in the twenty-ninth year of our country's independence.

VB

TRADE WINDS

TIIC

The Tamilnadu Industrial Investment Corporation Ltd,. (TIIC), one of the oldest state-level development institutions in the country, has recorded spectacular progress in its operations during 1974-75. Mr. R.V. Ramani, Chairman of the Corporation stated recently that the total assistance sanctioned during the year in respect of 485 applications had amounted to Rs 18.25 crores, as against only Rs 5.77 crores sanctioned in the previous year, in respect of 142 applications, registering a high growth of 216 per cent. Likewise, disbursements during the year were of the high order of Rs 8.25 crores, as against only Rs 4.03 crores, showing a growth rate of over 100 per cent. The outstanding assistance stood at Rs 37.25 crores, as against Rs 31.41 crores a year before.

The Corporation's assistance to units in backward areas had also shown a remarkable increase during the year, in that it had amounted to Rs 9.13 crores in respect of 184 applications, as against only Rs 3.00 crores in respect of 64 applications in the previous year. Thus, the amount of assistance to backward areas had amounted to as much as 50 per cent of the total sanctioned during the year.

In respect of assistance to small-scale sector, TIIC's record is exemplary. Assistance sanctioned during the year amounted to Rs 7.97 crores in respect of 409 applications, which compared to only Rs 2.21 crores in respect of 108 applications in the previous year. Application-wise, 84 per cent had gone to small-scale sector during the year. TIIC's assistance under a Foreign Exchange Line of Credit, extended by the International Development Association, had amounted to Rs 286 lakhs during the year, making an aggregate of Rs 377 lakhs so far, comprising of foreign exchange assistance of Rs 153 lakhs and rupee assistance of Rs 224 lakhs.

During the year, TIIC had assisted a number of units which were to take up manufacture of products, for the first time in the state, such as polystyrene thin films for packaging, metal reflectors for cine projectors mechanised manufacture of mirrors, mechanised coir carpet weaving, industrial boilers, miniature automobile lamps, reed switches and metal glass film resistors for telecommunication. It was reported that in line with the progress of its operations, TIIC's profits during the year before tax would also go up by about 100 per cent from Rs 32 lakhs in the previous year to about Rs 60 lakhs for the year under review.

SASMIRA'S Research Effort

The Silk and Art Silk Mills' Research Association (SASMIRA), which is celebrating its silver jubilee this year, has secured, through the good offices of the UNIDO, a pilot plant for research and development in polyester and nylon yarns and fabrics. The UNIDO has made available one crore of rupees for this research and development programme. The equipment for the plant, costing-about one crore of rupees, has been provided by the Federal Republic of Germany. The plant has not only augmented greatly the existing facilities of SASMIRA for imparting training and education to the technical personnel required by the man-made fibres industry, but will also enable undertaking of research in the diversification of the raw materials required by the industry.

SASMIRA has developed with its own efforts over a dozen testing equipment for quality control in the manufacture of man-made fibres and fabrics and bagged several invention promotion awards. It has been imparting technical education pertaining to man-made textiles at various levels starting from a certificate to the post-graduate diploma course. Numerous other short-term and specialised courses are also being organised by SASMIRA tailored to the specific needs of the industry. It has recently started organising course in marketing and management as well.

Cement Prices

New cement units coming into production after next year will benefit by Rs 83 per tonnes, under a three-tier cement price fixation formula announced by the government recently. While the retention prices for the existing units and those going into production by the end of the next year will be fixed on the basis of the Tariff Commission's recommendations, the retention price of those units going into production after 1976-77 will be fixed ensuring 14 per cent return on capital employed. Another major concession given to the cement industry is to treat on par new units with expansion of existing units in determining the retentation price.

Bombay High

Prime Minister, Mrs Indira Gandhi opened a valve aboard "Sagar Samrat" on Bombay High recently. The event was of great significance to the nation in that the occassion marked the first token shipment of crude oil from India's offshore oil structure tapped to a tanker. Bombay High has proved to be a pro oil strike with an ex annual yield of 10 millio nes of crude in full p tion, and as the union m for Petroleum and Chen Mr K. D. Malaviya put event "symbolises our de nation not only to pr Bombay High oil very qu but also to see that it i lised in the Indian refine Mrs Gandhi, flew into Bo and hopped to "Sagar Sam by a helicopter and ret after participating in the tion, stated that strikin was a major step toward nation's aim of achieving nomic self-sufficiency.

While the exercise o ploration of oil has been ing on for quite some now and oil was struck a year ago, this is the first that oil from Bombay was pumped out and pa into a 500-tonne tanker m ed nearby. Drilling is to begin in two more off-s areas—in the Bay of Be and off-shore Kutch— after monsoon this year in a third area on the coast in one of the more mising structures stretc from Saurashtra to Lak dweep, said Mr K. D. M viya.

Trade with El-Salvad

Possibilities of setting of joint ventures, supply engineering goods and par pation in international t fairs were discussed rece by Dr Racardo Corneja. minister of Foreign Affair government of El-Salva and union deputy Comm minister, Mr Vishwanath tap Singh. The two lea also discussed the probl of shipping, transport communication. Dr Cor was informed that India shipping services to so countries in Latin-Amer and with the increase in cargo both ways, this serv could be extended to El-Sal dor also. The first thing to identify the areas of co-o ration. He was informed t India had developed indust infrastructure and was i position to export engineer

nd agricultural imple- He was further infor- it the export of engi- goods from India to merican countries in- by 100 per cent during year.

Corneja stated that and El-Salvador could t up joint ventures. He ed that his country had organising international fairs and invited India ticipate in it. The next tion, according to him, be held in November ear. The trade between and El-Salvador has been ible. India exported worth Rs 12,000 to El- dor during 1973-74, which acreased to Rs 1.84 lakhs g the April to October,

a-Jordan Trade

dia and Jordan signed a economic and trade agree- recently. The agreement des for increasing the me of trade between the countries, especially the rt of Jordanian phospha- and Indian technical ad- in the industrial domain, cularly in the copper, , cement and oil refining s.

lo-Australian Trade oup

Mr Bruee Grant, Austra- High Commissioner in country inaugurated re- tly the Indo-Australian de Group. He stated that ough India held a modest ce in Australia's trading ition, accounting for just ler one per cent of that ntry's total import and than 1.5 per cent of its orts, there is "ample room expansion". He added t his country was a poten- market for a wide range industrial and consumer ods and India could have hare of it, especially in non- ditional items. Mr Grant t that the Indo-Australian ade Group could do much promote the trading inte- sts between the two coun- es.

Mr Manubhai Shah, Presi- nt of the Indian Council of Foreign Trade, presiding over the inaugural function, stated that the two countries should consider collaboration in iron-ore trade as this would benefit both. He also called for the setting up of a special study group for identifying spheres for expanding trade between the two countries. Mr B. R. Rowell, Australian Trade Commissioner in India outlined the benefits of the Australian system of tariff preferences for developing countries. He pointed out that India had been a major beneficiary of the tariff preferences scheme and added that his country would do its best for assisting the economic development of the less favourably placed nations. Mr Gopalkrishna Singhania, chairman of the Indo-Australian Trade Group indicated that India had scope for doubling the present level of its trade with Australia within the next four or five years. He added that India was well-equipped to participate in joint ventures with Australia.

New Rules for Oil facility

The International Monetary Fund has announced strict standards for members who borrow money from its 'oil facility', funds set up to help countries meet the increased cost of oil imports. Any country that wants to borrow from the facility must first state what it is doing to solve its problems in paying international bills and the IMF must be satisfied that the policies are adequate. The new rules also require a borrower to describe how it is planning to conserve oil or develop alternative sources of energy. Under the new procedures a member may borrow up to 125 per cent of its contributions to the fund or enough to finance 85 per cent of the increase in its oil import costs—whichever amount is lower.

Export Target

The export target for 1975-76 is being fixed at Rs 3,400 crores. It is expected that last year's exports would have reached the Rs 3000-crore level. Though the target for the current year is only Rs 400 crores above last year's performance, the Commerce ministry is keen that the export strategy should be directed towards consolidating the gains made during the last three years because it is not easy to retain an export level of this order. Mr Y. T. Shah stated recently that during the last three years exports had registered a 100 per cent increase and the major concern of his ministry was that there should be no slideback. Mr Shah added that the ministry had originally thought of a target of Rs 3250 crores for the current year but the tentative target was now being raised by about Rs 250 crores.

There were indications that the commodity boom experienced last year would not continue during the current year. The special emphasis on export reflected in the policy is to ensure that "we do not lose ground as a result of the negative trends that are appearing." Listing steps taken to sustain the export drive, Mr Shah stated that the schemes for supplies of indigenous raw materials for export production have been rationalised. The scheme will be implemented in two parts. The first phase of the scheme covers ten items which can be supplied by indigenous producers at international prices to exporters. If an indigenous producer is unable to make supplies with-

in a month's time, the exporter will be free to ask for a licence for direct import. The items are polysterene, PVC resins (suspension grade), sodium hydrosulphite, Dimethyl terephthalate (DMA), silicon emulsions, polyster fibre, sulphuric acid, transformer oil, electrical steel stampings and winding wire. The second part of the scheme relates to supply of indigenous material at negotiated prices.

The government has also increased the rate of compulsory export obligation on six industries since in its judgment these had the potential for higher export. The industries are engineer's steel file, forged hand tools such as pliers, spanners and wrenches, storage batteries, automobile ancillaries, steel pipes and tubes and transmission towers. These industries have hitherto been subjected to an export obligation of 5 per cent. They will now have to export 10 per cent of their production. Non-fulfilment of export obligation will now attract a uniform cut of 10 per cent in import entitlements rather than cut according to a graded scale now in force.

In respect of certain non-traditional export products, the exporters will be entitled additional amount equal to 10 per cent of the normal import replenishment for import of raw materials and components. This additional allocation will be given in the case of exports of engineering goods, chemicals and allied products, leather and leather goods, sports goods, handicrafts, cotton textiles and readymade garments.

Aluminium Controller

In view of the prevailing shortage of aluminium metal and the complaints received about the non-supply of the metal allocated to various parties, the government has appointed Mr M.S. Bhatnagar, Deputy Secretary, Department of Mines, as Controller of Aluminium under the Aluminium (Control) Order, 1970, issued under the Essential Commodities Act, 1955. He will mainly look after the distribution of aluminium metal, both E.C. and C.G. grades, and ensure that the producers supply the metal to the allottees in accordance with the priorities laid down by the government.

Rabi Production

Substantial increase in rabi production is likely to be achieved this year as the weather during rabi season was favourable and there was no shortage of quality seeds, fertilisers or pests and disease control arrangements. The irrigation system also operated effectively. However, due to erratic and inadequate rainfal in most of the areas, kharif production would be lower than the level of 66.7 million tonnes achieved in 1973-74. This is stated in the annual report of the Department of Agriculture for the year 1974-75. With a view to accelerate the tempo of agriculture, various development programmes were undertaken which included series of discussions with the chief ministers and state Agriculture ministers.

Area under high yielding varieties is estimated have increased from 25.5 million hectares in 1973-74 to over 27 million hectares in 1974-75. In case of rice emphasis was laid on the introduction of high yielding varieties, identified and accepted by the farmers in different areas, through the central sector minikit programme. Similarly minikit programmes of millets, new varieties of sorgham hybrids and new disease resistant varieties of bajra were introduced. A few short duration varieties of moong, urad, cowpea and arhar which could be used as an additional crop were identified. An additional area of 200,000 hectares was proposed to be covered under short duration varieties and improved packages of practices in pulses production were introduced on an area of 106 million.

Under the programme for the development of commercial crops acreage under hybrid cotton increased to 760,000 hectares as against 524,000 hectares last year. An 'Intensive Cotton District Programme' now cover an area of 1.13 million hectares as compared to 860,000 hectares in 1973-74. In the Intensive Oilseeds Development Programme in operation in ten states, the area under kharif was 900,000 hectares. Among non-traditional oilseeds cultivation of sun-flower has been extended over an area of 300,000 hectares and that of soyabeen by over 65,000 hectares.

Coal Production

Coal production in the country reached an all-time record of 88.11 million tonnes during 1974-75, registering an increase of over 10 million tonnes over the production of 77.87 million tonnes in 1973-74. The increase in production was achieved through the concerted efforts made by the government and the coal producing organisations for maximising the production by better management, improved industrial relations, improved supply of essential inputs like power, steel, equipment and spares.

The significantly higher production during the year 1974-75 as compared to 1973-74 has been the result of better performance by all the coal producing agencies, The Coal Mines Authority produced 61.20 million tonnes in 1974-75 as against 53-46 million tonnes in 1973-74. The Bharat Coking Coal Ltd produced 17.73million tonnes in 1974-75 as against 16.34 million tonnes in 1973-74. The Singareni Collieries Company produced 6.18 million tonnes in 1974-75 as against 5.31 million tonnes in 1973-74. Captive mines of IISCO and TISCO produced three million tonnes in 1974-75 as against 2.76 million tonnes in 1973 74.

With the increase in production and improvement in rail transport availability, supply to all priority consumers also increased considerably as compared to 1973-74. The steel plants, which went down to a vel of 3 days' stocks, have n built up stocks equivalent t days' consumption. The c despatches to power houses the first nine months of the c rent year have been 3.1 milli tonnes more than in the corre ponding period of the la year. Efforts are being ma to build up stocks equivale to 21 days of consumption all power houses.

HAL

Hindustan Aeronautics Lt continued to enjoy the pri of place for its efforts to au ment defence production du ing 1974-75. It is the large public undertaking under th ministry of Defence and manu factures various types of ai craft and helicopters, with th related engines and equipmen including air-to-air missile The company has at presen 11 factories located in six di ferent states. Six of these fac tories including unit at Bar rackpore constitute the Ban galore complex and the thre factories at Hyderabad, Kora put and Nasik divisions com prise the MiG complex. Th remaining two at Kanpur an Lucknow manufacture HS-74 and accessories respectively The Indian Air Force continue to be HAL's principal custo mer.

The value of productio of HAL during 1971-72 1972-73, 1973-74, 1974-7 (anticipated) is Rs 69.59, R 70.09, Rs 98.14 and Rs 113.8 crores respectively. HAL' operations during 1973-74 resulted in a profit of Rs 9.4 crores.

Rajasthan Canal Project

The first stage of the Rajasthan Canal project is likely to be completed by October this year, official sources stated recently. The entire project, comprising two stages is expected to be completed by the end of fifth Plan. The estimated cost of the project would be Rs 280 crores of which Rs 145 crores is for the first stage and the rest for the second stage.

COMPANY AFFAIRS

Shares Depressed

SHARES remained depressed in markets last week. Although a few scrips here and there attempted to recover, it proved short lived either becuuse of lack of follow-up support or due to profit-taking. The marketmen were inclined to lighten their commitments in view of what was described as "an unusual" delay in the amendment of the divdend act. Besides the receding hopes of credit relaxation, the statement by Mr T.A. Pai, the union minister for Industry and Civil Supplies, that the government would consider a new pattern of management for private sector companies in which public financial institutions held considerable investments, created further uncertainty in an already subdued market. The import policy, although considered to be liberal, failed to stimulate market sentiment. Business, consequently, was restricted with narrow price movements.

National Rayon

National Rayon Corporation has announced an issue of bonus shares in the ratio of one share for every four equity shares held after the right shares had been allotted to the existing shareholders in the ratio of one share for every four equity shares at a premium of Rs 125 per share.

Tube Investments

Tube Investments of India Ltd has maintained its proud record of growth in sales, profits and margins during 1974. With a brisk advance in turnover from Rs 15.06 crores to Rs 21.84 crores, gross profit too moved up sharply to Rs 2.99 crores in 1974 from Rs 1.77 crores in 1973. Out of the gross profit, the directors have appropriated a sum of Rs 51.59 lakhs to depreciation reserve as against Rs 48.50 lakhs in 1973 while the allocation to development rebate reserve was stepped up from Rs 1.49 lakhs to Rs 12.05 lakhs. No provision has been made for taxation for 1974 as against Rs 73 lakhs provided previously. The tax liability for 1974 is estimated at Rs 1.34 crores and it will be charged to the company's general reserve No. 2 which is adequate to cover the liability The profit after these allocations amounted to Rs '235.23 lakhs as compared to Rs 54.29 lakhs in 1973. After adding the balance of Rs 510 brought forward from the previous year and Rs 2.66 lakhs being the development rebate reserve no longer required, the total amount available for disposal comes to Rs 237.89 lakhs. Out of this, the directors have transfered a sum of Rs 12.50 lakhs to debenture resumption reserve, Rs 2.67 lakhs to general reserve and Rs 222.73 lakhs to general reserve No. 2. The directors have recommended a dividend of Rs 10 per equity share for 1974 and it will be paid out of general reserve No 2.

Kothari Sugars

Sugar production by Kothari Sugars and Chemicals in the 1974-75 season, according to the interim report, is expected to be lower than in the 1973-74 season. It was initially estimated to crush about 2.25 lakhs tonnes at Siruguppa and 2.75 lakh tonnes at Kattur for the season 1974-1975. However, the latest results indicate that it will be possible to crush only about 2,25 tonnes at Kattur. At Siruguppa where the season has come to an end, the factory crushed only 83,553 tonnes producing 80,421 qaintals of sugar with a recovery of 9.7 per cent. The total quantity of sugarcane that will be crushed by both the factories for the season 1974-75 will be of the order of about four lakh tonnes which is inclusive of the 87,000 tonnes of cane crushed during July/September 1974. The shortfall in cane crushing at Siruguppa was mainly due to the unprecedented breaches in Tungabhadra canal and the large scale diversion of sugar-cane to khandsari and gur manufacture by the sugarcane growers in spite of the fact that the company was paying a higher price for the sugarcane compared to the other sugar factories in the vicinity.

The unusual drought conditions prevailing in Tamil Nadu was the main contributing factor for the marginal shortfall in the estimate of cane crushing at the Kattur factory from 2.75 lakhs tonnes to 2·25 lakh tonnes. In view of the reduced crushing at both the factories, hike in interest charges, higher cane price, steep escalation in the manufacturing expenses, increase in wages and the non-revision of levy sugar prices, the profitability of the company is adversely affected. Though the government of India has revised the ratio of levy and free sugar from 70 : 30 to 65 : 35, this increase in free sugar quota will not adequately compensate for the all-round in costs.

Industrial Cables

Industrial Cables (India) Ltd, has once again reported marked progress on all fronts during the year ended October 31, 1974. A handsome rise in turnover from 482.55 lakhs to Rs 66 lakhs has been followed an equally encouraging crease in gross profit wh moved up to Rs 45.89 lal during 1973-74 from Rs 34 lakhs in the preceding ye This is indeed a credita achievement when conside against the several adverse f tors with which the compa has to contend with duri this year such as the seve power cut, the credit sque and shortage of raw materi faced by both the cable u as well as the steel wire un The directors have tak appropriate steps to ov come these difficulties a it is expected that the curre year will once again be year of rapid growth for t company.

Meanwhile the compa is going ahead full stea with the implementation the industrial licence f the manufacture of groov contacts wires and the lett of intent for the manufactu of railway signalling and co rol cables. The compar has fared extremely well i the field of exports also an it continued to maintain i unique distinction and prou privilege of being the large exporters of power cable During the year its e ports touched the recor figure of Rs 162.42 lakh and its outstripped the pr vious years performance b as much as Rs 19.55 lakhs The company has been r cognized as an eligible expor house by the government c India and has also bee awarded the certificate of ex port recognition for outstand ing export performance fo the year 1973-74.

Out of the gross profit the directors have appropria ted a sum of Rs 20.83 lakh to depreciation reserve a against Rs 14.22 lakhs pro vided in the earlier year. Thi leaves a substantially highe net profit of Rs 25.07 lakhs a compared to Rs 20.60 lakh in 1972-73. Out of this, th directors have transfered sum of Rs 9.75 lakhs to deve lopment rebate reserve an Rs 15.31 lakhs to genera

e. The directors have mended a dividend of cent on equity shares 1974-73. The proposed end will obsorb Rs 4.71 and will be paid out of neral reserve.

an Cables

sian Cables Corporation reported a substantial ovement in its working s during 1974. With arp upswing in sales Rs 6.54 crores to Rs crores the gross profit rose spectaculary from 4.96 lakhs to Rs 1.08 s. The directors, however, declared a lower equity lend of six per cent in of the existing dividend aints as against 10 per paid for 1973. After iding Rs 13.43 lakhs for eciation and Rs 20 lakhs axation there is a balance s 74.89 lakhs which has transfered to general rve. The proposed divi- d will absorb Rs 12.11 s.

The improved results have accompanied by an equ- striking better perfor- ce on the export front. export during 1974 crossed one-crore mark and touch- the handsome figure of Rs) crores as compared to 78.83 lakhs in 1973. Mean- ile the company is setting a new subsidiary Rajasthan ntainers Ltd with the ob- t of manufacturing glass tles at Jaipur. The licen- capacity of the unit will 18,000 tonnes of glass ttles per year and it will olve a total capital outlay Rs 2.50 crores. The plant expected to go into com- rcial production by the ddle of 1976. The company o proposes to undertake work of engineering con- acts and consultancy ser- ces. This division will ena- e the company to handle ection and commissioning equipment and selection d training of personnel to sist its foreign collaborators. elps Dodge International orporation of the US in setting up their new plants in different countries.

Holiday Inn

Holiday Inn, a multi starred hotel offering modern luxury in the ancient city of Agra, was inagurated last week by Mr Fakhruddin Ali Ahmed the President of India. Promoted by Northern India Hotels Ltd, this it the first of the four Holiday Inns being set up in collaboration with the world-famous Holiday Inn chain of hotels of the USA. The Holiday Inn, situated on the main highway to Kanpur, matches the lovely Taj in its magnificence and its offers a grand, clear and full view of the famous mausoleum from sixty per cent of its rooms. With accent on style and comfort, Holiday Inn has every convenience and facility to offer to its guests. Be it a regular globe trotter, holiday goer or businessman he will find it a home away from home for its service and atmosphere. The holiday Inns world over have earned reputation for their hospitality and distinction for guest service. Now Agra too has a Holiday Inn which combines the expertise of the west and the traditional hospitality of India.

Suessen Textile

Suessen Textile Bearings has completed its expansion programme. Efforts are being made to attain the maximum possible production capacities. The average monthly production in the first five months of the current year—October 1974, to February 1975—has increased by about 50 per cent over the same period of the previous year. The company hopes to reach a sales turnover of about Rs six crores in 1974-75. It has received the government's consent for further expansion of its capacity for various types of bearings. The management is planning to implement the expansion programme in stages. The first stage is likely to be completed by 1976-77. On the completion of the first phase the company's turnover is expected to be Rs 10 crores per annum. This apart, the company has also received an industrial licence for manufacture of anti-friction assemblies for water pumps for automobiles and tractors.

News and Notes

The public issue of 1,548,060 equity shares of Rs 10 each at a premium of Rs six by **Vazir Sultan Tobacco Company** which opened on April 7, has been oversubscribed. However, in view of the intervening bank holidays at the main financial centres at Bombay, Calcutta and Madras, the company has decided to keep the list open till April 16.

The directors of **Standard Mills** have recommended the issue of bonus shares in the proportion of one share for every four equity shares held. The bonus issue, is, however, subject to the consent of controller of capital issues.

Jupiter Breweries which is setting up a factory at Pailan in 24 Parganas, West Bengal, hopes to start production from next month. Due to the delay in the completion of the project it is feared there will be an escalation in project cost. The matter has been handed over to a consultancy firm for recasting the project cost to enable the company to arrange for additional finance from the financial institutions.

Rockwell India has changed its name to **Ralli Machines Limited.**

The government of India after careful scrutiny, has decided to go in for 400 kV. system instead of 500 KV. Anticipating the switch over from the existing 220 KV power transmission system to 400 KV system, India's first and largest heavy electrical factory **BHEL** at Bhopal (in Madhya Pradesh), took up the development work of 400 KV class equipment in hand.

The first proto-type 400 KV Capacitor Voltage Transformer designed and manufactured at BHEL, Bhopal has successfully passed all routine and type tests in accordance with International standards. Already the factory has rolled out the first proto-type 400 KV Current Transformer, which also had been completely designed and manufactured at Bhopal. With the completion of 400 KV Capacitor Voltage Transformer, the BHEL, Bhopal is poised for self-sufficiency in the field of 400 KV Instrument Transformers.

New Issues

UP Straw and Agro Products is setting up a project for the manufacture of corrugating (fluting) medium, widely known as packaging paper. The project is estimated to cost Rs 4.65 crores. To meet a part of the cost the company will soon be offering to the public for subscription equity shares worth Rs 1.08 crores, all in share of Rs 10 each at par The plant will be located at Agwanpur in Moradabad district and it will have an annual capacity of 10,000 tonnes. It will use agricultural residues such as wheat straw paddy straw and bagasse as raw materials which are available in plenty in the neighbouring areas. The project had been promoted by Dampur Sugar Mills. The engineering division of the Orissa Paper mills will be the consulting engineers. If all goes well, the plant is expected to commence commercial production by July 1976. During the year ending June 1977 the company hopes to earn a gross profit of Rs 67.50 lakhs out of a turnover of Rs 2.25 crores. The total project cost of Rs 4.65 crores will be financed by the share capital of Rs 1.80 crores and term loans of Rs 2.85 crores.

Otis Elevator Company (India) Limited, specialising in the manufacture of elevators and escalators, will shortly enter the capital market with a public issue of 2,25,000 equity shares of Rs 10 each at a premium of Rs 10 per share.

The entire issue has been under written. The Indian Company, a part of the world wide organisation with its parent company in the USA, was promoted by Mahindra & Mahindra Ltd in 1954 in Bombay. Today it has a modern plant in Kandivli, a suburb of Bombay, manufacturing a wide range of elevator equipment. An expansion of the plant is in hand to manufacture moving staircases known as escalators. The present range of products includes low cost model elevators for residential buildings, high speed gearless elevators for high rise office buildings, hotel TV towers etc.

The sale and profit figures of the company have shown an upward trend ever since its inception. The value of the new business registered a 54 per cent growth during the last five years. Besides reinvesting a large portion of its profits into the business, Otis has paid a 15 per cent dividend every year from 1967 to 1973. The company has made two bonus issues in the last six years capitalising Rs 40 lakhs. The company has at present substantial orders on hand ensuring a continuous flow of work in the coming years.

Otis in India was the first company to pioneer the export of elevators and with the know-how and support of of the worldwide organisation of the parent company, is now actively engaged in exports to Sri Lanka, Bangladesh, Arab Republic of Egypt, Australia, Kenya, New Zealand, Singapore, Thailand, UK and Italy. In a short period the Company's total Exports crossed the Rs one-crore mark at the end of 1974.

The General Industrial Society Limited is offering to the public for subscription 22,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each for cash at par. Applications must be for a minimum of five shares or multiplies thereof. The entire amount of Rs 100 per share is payable on application. The subscription list opens on April 21 and will close on May 2 or earlier but not before April 24. The company has at present four manufacturing units and engaged in manufacturing conventional varieties of jute goods, carpet backing cloth, jute yarn other jute specialities, cotton viscos-staple and other man-made fibre yarns, iron casting such as railways sleepers, pipes, pipe fittings, manhole covers and frames, machine parts etc. and jute twine and rope.

The company's jute mill and the cast iron foundry is situated at Gondalpara near Chandernagore and the cotton textile mill at Champdany both in the district of Hooghly. The company's jute twine factory situated at Vizianagram in the state of Andhra Pradesh. T
company owns sufficient la
to carry out future expansio

The company has recei
an industrial licence to
crease the capacity of ma
facturing jute twine from 54
tonnes to 9,600 tonnes
annum and the scheme of
pansion is under implemen
tion. Over and above, t

any has also obtained a e for installation of 300 s in its cotton spinning This scheme of expansion is under consideration will be taken up as soon e scheme of expansion of wine factory is completed. object of the present issue provide a part of the ce required for implementation of the substantial ansion of its jute division Vizianagram in Andhra esh.

pital and Bonus Issues

onsent has been granted 1 companies to raise tal. The details are as ows:

The Essorpe Mills Limited, nbatore, have been accorded consent, valid for three nths to capitalise Rs 0,000 out of its Generally erve and issue fully paid ity shares of Rs 1,000 n as bonus shares in the o of one bonus share for y one equity share held.

The Hunsur Plywood Works Ltd, Hunsur, have been orded consent, valid for ee months, to capitalise 6,34,0000 out of its General Reserve and issue fully d equity shares of Rs 100 h as bonus shares in the o of two bonus shares for ry three equity shares held.

The Sayaji Iron & Engg Pvt Ltd, Baroda have n accorded consent valid three months, to capitalise 6,20,000 out of its general erve and issue fully paid uity shares of Rs 1,000 each bonus shares in the ratio of o bonus shares for every e equity shares held.

The Ashoka Mills Ltd, Ahdabad, have been accorded nsent, valid for three nths, to capitalise Rs 00,000 out of its General serve and issue fully paid uity shares of Rs 100 each bonus shares in the ratio one bonus share for every ree equity shares held.

e Naarden (India) Ltd. ve been accorded consent, lid for three months, to pitalise Rs 6,86,700 out of General Reserve and issue ly paid equity shares of 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Bhore Industries Ltd, Bombay, have been granted consent. valid for 12 months, for issue of equity shares worth Rs 4,04,000 to be issued for cash at par to the existing shareholders.

The J.K. Industries Ltd., have been accorded consent valid for 12 months, for the issue of further capital of Rs 650 lakhs in 5,75,000 equity shares of Rs 10 each (out of which shares worth Rs 405 lakhs are to be issued to public by prospectus) and 75,000 (11 per cent) preference shares of Rs 100 to be issued to public prospetus for cash at par.

The Baliga Lighting equipment Pvt. Ltd., Madras, have been accorded consent, valid for three months, to capitalise Rs 2,30,00 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Delhi Iron and Steel Co. Pvt. Ltd., Ghaziabad (U.P.) have been accorded consent, valid for three months, to capitalise Rs 10,00,000 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Scooters India Ltd., Lucknow, has been accorded consent, valid for 12 months only, for issue of 11 per cent privately placed debentures of Rs 50 lakhs to the LIC for cash at per with an option for conversion a part thereof into equity shares of the company at the par.

The Instalment Supply Pvt. Ltd., New Delhi, have been accorded consent, valid for three months, to capitalise Rs 8.25,000 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

The Industrial Reconstruction Corp. of India Ltd., have been accorded consent, valid for 12 months, for the issue of bonds of the value of Rs 2.50 crores, with a right to retain 10 per cent of the notified amount.

The Kerala Shipping Corporation Ltd., have been accorded consent, valid for 12 months, for the issue of equity shares worth Rs 71.45 lakhs.

The Thirumalai Chemicals Ltd,, Bombay, has been accorded consent, valid for 12 months only for issue of 11 per cent privately placed debentures of Rs 10,00,000 for cash at par to the U.T.I.

The Shourie Duplicators Pvt. Ltd.. New Delhi, have been accorded consent, valid for three months, to capitalise Rs 4,49,100 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Drayton Greaves Ltd., Bombay, have accorded consent, valid for three months, to capitalise Rs 1,83,700 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Madhusudan Brothers Ltd., have been accorded consent, valid for three months, to capitalise Rs 18,00 out of its General Reserve and issue fully paid equity shares of Rs of Rs 50 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

The Canning Mitra Phoenix Ltd. have been accorded consent, valid for three months. to capitalise Rs 0,02,200 out of its General Reserve and issue fully paid equity shares in the ratio of two bonus for every three equity shares held.

The Usha Telehoist Ltd., Calcutta, has been accorded consent. valid for 12 months only, for issue of further capital of Rs 1,47,500 in equity shares of Rs 10 each to the ICICI at a premium of Rs 7 per share on their conversion option to convert a part of the rupee loan during the company's financial years 1973-74 and 1974-75.

The Nagpal Stainless Steels Ltd., has communicated to government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, worth Rs 30 lakhs in equity shares,

The Dynamatic Hydraulics Ltd., Bangalore, has communicated to government its proposal to issues capital under clause 5 of the Capital Issues (Exemption) Order, 1969, worth Rs 6,00,000 in 11 per cent cumulative redeemable preference shares of Rs 100 each, for cash at par, to be issued to the Karnataka Industrial Investment and Devlopment Corporation Ltd.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Same Dividend			
Northbrooke Jute	March 31, 1974	Nil	Nil
Mysore Lamp works	December 31, 1974	12.0	12.0
Gujchem Distillers	December 31, 1974	12.0	12.0
Reduced Dividend			
Amrutanjan	March 31, 1974	12.0	35.0
Geep Flashlight	April 30, 1974	7.0	16.0
Madhusudan	June 30, 1974	Nil	10.0
Parshuram Pottery	July 31, 1974	9.0	10.0
Jawahar Mills	December 31, 1974	10.0	15.0
Central Distillery and Chemicals	September 30, 1974	Nil	10.0

PARRYS CONFECTIONERY LIMITED

The Twentieth Annual General Meeting of the Company was held on the 31st March, 1975 at Madras. In his circulated statement, the Chairman Mr. H. V. R. Iengar, made the following points.

The year under review has been an extremely difficult one for the economy of our country. The conditions under which the Company operated during the year were unusually severe following an all-round spurt in prices of commodities. Due to inadequate rains food production had declined and such a combination of adverse factors had not prevailed before with the result that the Company incurred a loss for the first time since its inception. The results for the year show a loss of Rs 5.98 lakhs compared with a pre-tax profit of Rs 9.13 lakhs for last year.

In view of the adverse results, it has not been possible to recommend the payment of any dividend this year.

Manufacturing and Trading Conditions

Although sales at Rs 4.85 crores were higher than the previous year's sales, there has been a decline in volume. While the demand in the first few months of the year under review and the profit margins were reasonably satisfactory, a decline in demand as well as profit margins set in in the second half of the year, when prices of major raw materials like sugar and glucose, and wrapping materials like cellophane and waxed paper registered a sharp rise. Even Vanaspati, apart from being scarce, had to be obtained at higher prices. Material costs alone showed a rise of 20 per cent to 25 per cent compared with the previous year.

In addition the impact of the Budget proposals presented in February 1974 raising the excise duty on confectionery from 30 paise per kg. to 10 per cent ad valorem, equivalent to an average of Rs 1.20 per kg. pushed up selling prices to a level which resulted in strong consumer resistance. In the context of the steadily deteriorating economic situation the impact was greater in the case of high grade confectionery like ours which is in the nature of a semi-luxury and a low-priority item in the common man's budget.

Unfortunately, the industry's representation supported by facts and figures, made to the Government for relaxation/reduction in the excise levy has not received the response it deserves. On the contrary the additional excise levy on free market sugar has further affected the industry. Two other factors which affected our costs are the high finance charges and steep escalation in the wages of staff and labour. Labour and overhead costs had shown a rise of nearly 25 per cent compared with last year and are still further rising.

Machinery for replacement and rehabilitation for Rs 11.81 lakhs was purchased and installed during the year, of which Rs 4.11 lakhs represent the value of imported components.

Malaysian Factory

It was reported at the last meeting that the management of the Company had been made over to the Malaysian Directors and the Company was providing only the technical staff as stipulated in the Royalty and Technical Knowhow Agreement. However, with the large carried forward losses for the years 1972 and 1973 the Company faced difficulties in meeting their working capital requirements and it becomes necessary to consider injection of further capital to enable the Company to operate viably. Arrangements have been made for injection of further capital with local assistance and that of E.I.D.-Parry Ltd. The management has reverted to us from September 1974 and various measures are under implementation for improvement of the Company's operations. It is hoped that the loss for 1974 will be less than in the previous year. The proposal to implement a project to make chocolate-coated wafers to diversify the Company's activities is also being pursued vigorously by the Malaysian Company.

Current Year's Working and Prospects

Following the price hike in all the commodities, the cost of confectionery was pushed up to a point where consumer resistance set in. The position continues to be difficult and the results of current year's operations are not likely to be encouraging. The Board is taking steps in various directions, including investigating possibilities of diversifying the Company's activities into allied areas, to bring about an improvement in our operations by concentrating on production of high grade confectionery which will yield better margins of profit. The demand for high grade confection being restricted, the fact will not work to its capac This situation has affected entire organised confection industry and a further rep sentation is being made to Government explaining gravity of the situation. It sincerely hoped that there be better appreciation by authorities of the present pli of the industry.

Board of Directors

Mr H.V.R. Iengar who h been Chairman of the Boa of this Company since M 1962 had decided to lay do office as Chairman and Dire tor at the conclusion of t meeting. The main reason t impelled him to take this de sion is that with its substant shareholding in this Compa viz over 43 per cent a the further investment in t Malaysian Company, it is on proper that E.I.D.—Parry L should be more closely ass ciated with the general dire tion and management of t Company. He stated that M John K. John, Vice-Chairm and Managing Director E.I.D.-Parry Ltd had agre to take up the chairmansh and hoped that with his lo association with this Com pany and rich business exp rience, he would be able steer the affairs of the Com pany successfully.

N.B: This does not purpo to be a report of t proceedings of the Ge eral Meeting. (The fu text of the speech h been sent to all Shar holders).

RECORDS AND STATISTICS

port policy r April 1975 March 1976

ENCOURAGING trends on exports front, which ed in raising export earn- during the year just e by to approximately Rs 50 crores, as against Rs 33 crores in the previous r, and the expectations t some measures may be en soon on a global basis significantly mitigate the tress caused to the deve- ing nations by their rapid- mounting import bills petroleum products have bled the union ministry of mmerce to liberalise a great l the import policy for the rent financial year. The eralisation has also been sisted to some extent by the ticipations that imports of od and such items as iron d steel would go down to me extent this year owing an uptrend in indigenous oduction.

The policy, which was nounced on April 7, has en framed keeping in view e following three objec- es;

(a) to make the import licy more responsive to the eds of stepping up of dustrial production and version of such production export markets as far as ssible;

(b) to encourage import substitution and eliminate non-essential imports; and

(c) to eliminate delays in providing import licences for raw materials and components.

The salient features of the policy are as follows:

"Select" Industries: The classification of industries as "priority" and "non-priority", which was introduced after devaluation of the rupee in June, 1966, has been done away with, as the priority list itself had become somewhat outdated since it was drawn up eight years ago and needed to be reviewed. A new classification, *viz*,. "select industries", has been introduced keeping in view the importance of the industries to the national economy and export production. A list of the "select industries" is given in Annexure I.

Automatic Licensing: A major procedural innovation has been introduced for licensing of imported raw materials and components whereby the immediate requirements of imported inputs of the industries will be met by "automatic licensing" by cutting out the procedure of receiving applications through the sponsoring authorities. All industries will be eligible to apply for automatic licences directed to the licensing authorities concerned and licences/release orders will be issued on the basis of :—

(i) c.i.f. value of actual consumption of imported raw materials and components during the period 1974-75;

(ii) the value of actual user orders licences/releas obtained for 1974-75 plus the value of REP licences obtained by the unit during 1974-75 against its own exports;

whichever is less

Automatic licences will be granted under the same modes of financing and for the same items as were covered by the licences/release orders issued for the licensing period April, 1974—March, 1975. However, items which are not permitted during 1975-76 will be excluded from these licences/release orders.

Supplementary Licensing : Units, other than the small scale industrial units, belonging to the "select industries" can ask for supplementary licences, through the sponsoring authorities concerned, furnishing full justification for additional requirements of raw materials and components. Such supplementary licences will be granted after taking into account each unit's export performance, production programme, stocks in hand, stocks in the pipeline, outstanding licences in hand, the importance of the industry for the national economy and the avaiability of foreign exchange, etc.

In the case of small-scale units, as a matter of procedural simplification, combined automatic and supplementary licences/release orders will be issued to units of the select industries, The value of such licences/release orders will be based on the entitlement calculated on the lines indicated under the heading "automatic licensing" plus 10 per cent of such entitlement. Small-scale units in the select industries can also have the option of claiming licences on the basis of assessed capacity, on a single shift basis.

Special Assistance for Export Production: In response to the objectives of utilising the excess capacity for export production apart from the existing provisions of automatic licensing, etc., there will be a provision whereby export-linked import licences will be provided on industry-wise basis, especially for the purpose of utilising the capaties, which cannot be or need not be utilised for increase in domestic production.

Export Efforts by Industrial Units: All units which export at least 20 per cent of their production will be eligible for getting licences on the basis of the value of consumption of imported raw materials irrespective of the value of licences obtained during the previous year. These exporting units will also be eligible for preferred sources of financing.

The list of industries in which large-scale units have a compulsory export obligation, has been revised, keeping in view the capabilities of these industries to contribute to overseas sales.

The compulsory export obligation has been increased from five per cent to 10 per cent in respect of certain industries where there is sufficient potential for exports. In respect of other industries, the present level of compulsory export obligation of five per cent has been retained However, the cut for failing to fulfil the export obligation has been made uniform at 10 per cent,without any provision for imposing the cut on a sliding scale as hithereto.

Small-scale units which export 20 per cent or more of their production will be eligible for licences under free foreign exchange upto 75 per cent of their entitlement and for the balance under U.K. credit, as against the present limit of 66.2/3 and 33.1/3 per cent respectively.

Special Facilities for Small-scale Industries: Keeping in view the difficulties faced by the small-scale units in procuring raw materials from the rupee payment area and under U.K. credit, the minimum value upto which small-scale units can get licences under free foreign exchange has been

raised from Rs. 5,000 to Rs. 10,000.

The procedure for assessment of capacity of units in the "select industries" in the small-scale sector will continue for the purpose of determining their import requirements.

Facilities applicable to small-scale industries set up in backward areas and by engineering graduates and ex-service personnel have been further liberalised. In the previous year, small-scale units set up in backward areas or by engineering graduates or ex-service personnel were eligible for certain facilities only if the units fell within the list of industries reserved for small-scale sector. This distinction has been done away with and all small-scale units of the above categories will now get the special facilities. Moreover, in order to provide employment opportunities to unemployed graduates, the distinction between engineering graduates and others has been dispensed with and all science graduates or diploma-holders in engineering will be eligible for all the facilities, as at present available to engineering graduates. The following further facilities will be given:—

(*i*) Import licences for raw materials and components will be issued to them on the basis of 75 per cent of the value of installed machinery, as against 70 per cent in the previous year, and subject to a maximum value of Rs 3.0 lakhs, instead of Rs 2.0 lakhs last year, as half-yearly requirement if the units belong to "select industries". In other cases, this limit will be Rs 2 lakhs as against Rs 1.5 lakh in 1974-75.

(*ii*) Industries not belonging to "select industries" will be granted licences on the basis of assessment of capacity as if they belong to the "select industries".

(*iii*) Where the import entitlement of these units does not exceed Rs 20,000 in the value, licences will be issued fully against free foreign exchange, as against the present limit of Rs 10,000.

Import of Spare Parts: A major simplification for import of spares has been introduced whereby all industries will be eligible for grant of separate licences for import of spare parts, unlike in the previous years when only the "priority industries" were eligible for separate licences for spare parts. Import of spare parts will be allowed on the basis of five per cent of the value of imported machinery, if it was imported prior to 1970, and at three per cent in respect of machinery imported during 1970 and subsequently. In the case of indigenous machinery having imported components, all units will be eligible for spare parts licences on the basis of 1/2 per cent of the purchase value of machinery, but small scale units will be eligible at one per cent of the value of machinery. There will be no face value restrictions in regard to any type of permissible spares, including the restricted ones, provided they are for the *bona fide* use of the units concerned. Even non-permissible spare parts can be imported upto 10 per cent of the face value of licences for spare parts with the condition that the value of a single spare part would not exceed Rs 50,000.

The present value limit of emergency spares has been raised from Rs 20,000 to Rs 25,000 in the case of large-scale units, and from Rs 8,000 to Rs. 10,000 in the case of small-scale units.

Import of Non-permissible Items: "Select industries" can import non-permissible items against their licences for raw materials and components upto five per cent of their face value, without any endorsement of such items on the licences, provided those items are required for actual production. Unlike in the previous years, items like drugs and drug intermediates, dyes and dyes-intermediates, chemicals and plastic raw materials can also be imported under this facility upto two per cent (within five per cent limit mentioned above), subject to the condition that the value of single item should not a exceed Rs 25,000. Import of non-permsisible spare parts will also be allowed under this facility.

Research and Development Facilities: The existing provisions for import of capital goods, scientific instruments and raw materials for research and development will continue, with the following further additional facilities:—

(*i*) If a firm or an establishment has more than one unit engaged in research and development, and each such unit is separately recognised by the Department of Science and Technology, each such unit can get a separate licence for Rs 25,000.

(*ii*) No formal recognition from the Department of Science and Technology will be necessary in the case of research and/or training institutions under the management and control of state governments in order to get the facilities for import of raw materials, etc.

(*iii*) In respect of prototypes, the Department of Science and Technology can make recommendations direct to the licensing authorities without going through the DGTD, provided the value of such proto-types does not exceed one lakh of rupees in each case.

(*iv*) Scientists and faculty members (professors, readers, lecturers and research scholars) serving in any centra state government search laboratories universities, etc., be allowed the fac of importing scien instruments and ch cals required for search purposes fo value of Rs 5,000 free foreign excha on the recommen tion of the Head the institution conc ed.

(*v*) The present value li for import of scient instruments by tec cal and research in tutions or governm research and analyti laboratories, with an import licence, Rs. 2000 at any time or Rs 8250 annum. These lim have been raised to 5,000 and Rs 25,0 per annum, respecti ly.

(*vi*) Research and analy cal laboratories c import, without a cence, items of hi purity chemicals up Rs 1000 at any o time, as against 500 at present.

Special Facilities for Me cal Practitioners returning fr Abroad: Medical practitione (doctors) returning from a road will be allowed to bri medical equipment upto 50,000 from their own forei exchange earned abroad, wit out any I.T.C. formaliti provided they have been sta ing abroad for a continuo period of two years and abo and require the equipment f their own *bona fide* use.

Import of Surgical, Optic ane Dental Instruments: T present value limit for impo of medical, surgical, optic and dental instruments, app ratus and appliances and de tal materials without I.T.C restrictions has been raise from Rs 2,000 to Rs 5,000.

Canalised Imports: Th public sector agencies will co tinue to play a dominant ro in the import trade. A fe

which are not capable
k purchases and where
rs are also in large num-
ave been kept outside
rview of canalisation.

gistered exporters will
ue to have the facility
aining letters of authori-
respect of canalised

ports of Iron and Steel
: A major procedural
e has been inroduced for
rt of iron and steel items.
n the case of non-steel
, imports of iron and
items will also be allowed
r the facility of "automa-
censing" except that the
of individual iron and
items will be limited in
rdance with the policy for
rt of iron and steel items.
e value of a single item is
25,000 or less, the actual
s will have the option
import the items direct
er the procedure for issue
tters of authority.

mports of iron and steel
s, within the permissible
entages, will unlike during
4-75, be allowed without
actual user having to ob-
a non-availability certifi-
or placing firm orders on
indigenous producers.

)pen General Licence: Im-
t of certain essential raw
erials required by indus-
s will continue to be allow-
on open general licence. A
of these items is given in
nexure II.

Established Importers: The
otas for established impor-
s have been kept all the
ne percentage as in the pre-
us year, except in the case
one item.

**Change in the item-wise
licy for Actual Users**: A
mber of items for which in-
genous capacity has develop-
will not normally be allow-
for import. A list of these
ms is given in Annexure III.

Certain items have been
bjected to face value restric-
ns. A list of these items is
ven in Annexure IV.

Certain items which were
t allowed for import will
w be allowed in view of the
ange in the indigenous availability. A list of these items is given in Annexure V.

In respect of many items, the face value restriction for small-scale units have been relaxed within the overall value of the licence.

Capital Goods: The list of machinery, which has been cleared from indigenous angle and for the import of which individual enterpreneurs are not required to issue advertisements by way of notice to indigenous manufacturers, before applying for import, has been enlarged.

The powers of the regional licensing authorities for issue of licences for capital goods have been slightly enhanced.

Import Policy for Registered Exporters

Additional allocation for Import of Raw Materials and Components: In respect of certain non-traditional export products, the exporters will be entitled to additional amount equal to 10 per cent of the normal import replenishment for import of raw materials and components. These products also include those which are predominantly manufactured in the small-scale and cottage industry sectors.

This additional allocation will be given in the case of exports of engineering goods, chemicals and allied products, leather and leather goods, sports goods, handicrafts, cotton textiles and readymade garments. The additional allocation will help in strengthening the base for export production and take care of the situation where the import replenishment normally provided is not enough to accommodate certain essential inputs.

Nominations: The provision, pertaining to nominations of manufacturers by exporters has been liberalised. Nominations will be allowed in favour of a manufacturer of the product exported, or in favour of a manufacturer of a part, component or marerial used in the product exported or in favour of manufacturer of any product in the same product group to which the exported product belongs.

Advance and Imprest Licences: A new scheme of automatic imprest licensing has been introduced. Under this scheme, any manufacturer-exporter or an eligible export house who obtained import replenishment licences on his exports in 1974-75 will be allowed imprest licences in 1975-76 for a value equal to what he obtained in 1974-75 and for the same items as appeared in the licences issued in 1974-75. The imprest licences will be subject to a suitable export obligation but the exporter will not be required to produce any export order while claiming the automatic imprest licence. This measure has been taken to enable exporters to make timely arrangements for imports keeping in view their export programmes.

In order to enable the industry to achieve full utilisation of installed capacity for export production, a special provision has been made for granting imprest licences for import of raw materials and components for such amount as may be required exclusively for export production. This special facility will also be available even for those export products which are not covered by the import policy for registered exporters but for which the manufacturer has an export arrangement acceptable to government.

The scheme of conversion deals which was introduced last year has been further rationalised. Under this scheme, requests for conversion deals will be considered liberally where the raw material is to be imported free of charge for processing in India for re-export.

The system of bank guarantees which exporters have to execute for discharging their export obligation against advance and imprest licences has been considerably relaxed, keeping in view the difficulties which exporters were facing in giving bank guarantees. Manufacturer-exporters who have been in the export field during the last three years will be required to give only a legal undertaking and not a bank guarantee except where the item to be imported is of a sensitive nature. For small-scale manufacturers, further concessions have been shown in this regard. The amount of bank guarantee which such units will be required to give has been required to half of what it was hitherto. Also the overall limit of import licence beyond which no bank guarantee is normally taken has been reduced from five lakhs of rupees to Rs 2.5 lakhs in the small scale sector.

Imports of Canalised Items against Letters of Authority: The exporters will continue to have the facility of direct imports of canalised items against letters of authority, except in the case of a few specified items. The facility of issuing letters of authority will also be available to exporters for the import of mutton tallow and tinplate for which only release orders were issued hitherto.

In respect of raw wool, the exporters will be given letters of authority for the full entitlement as against 50 per cent hitherto.

In respect of copper and zinc, the exporters will be given release orders and not letters of authority. Certain facilities will, however, be given to the exporters in the matter of price and spot booking for the purchase of these two items.

In respect of items for which release orders are issued and the canalising agency is unable to arrange supply of the material within six months, the exporter will be free to ask for a letter of authority to make direct import.

Imports of Non-permissible Items: In order that export production is not handicapped for want of certain essential inputs of small value, the manufacturer-exporters were given the facility of utilising their REP licences for import of even the non-permissible items to the extent of five per cent subject to certain conditions. This limit has been increased to 10 per cent.

Supply of Indigenous Raw Materials for Export Production: The schemes for supplies

of indigenous raw materials for export production have been rationalised. There will be two schemes in force. The first scheme covers 10 items which can be supplied by indigenous producers at international price to exporters. Only those items have been included in this scheme for which indigenous production has developed but domestic prices are higher than international prices. Such supplies by indigenous producers will be treated as exports. If an indigenous producer is unable to make supplies within a month's time, the exporter would be free to ask for a licence for direct import.

The second scheme is more broad-based. It would cover every item which an indigenous producer can supply at negotiated price to a person holding an import licence for that item. Such supplies will also be treated as exports for certain purposes.

Import of Machinery against REP Entitlements: The policy for import of machinery against import replenishment entitlements has been liberalised. The value limit upto which such machinery will be allowed to be imported has been raised from Rs 6 lakhs to Rs 7.5 lakhs in a year. Also, the exporters will be allowed to make use of this facility for the full value at a time. Hitherto, exporters were allowed to import machinery for 50 per cent of the value of the REP licence or Rs 3 lakhs in a half-year whichever was lower.

Registration of Contracts: The scheme for registration of export contracts which provides a protection to the exporters against variations in the levels of export assistance has been expanded further. Such protection will hereafter be given to the contracts which are registered with the banks irrespective of the value of the contract and period of delivery.

Eligible Export Houses: Eligible export houses will continue to have the facilities provided to them under the import policy for registered exporters. The following are the main changes which have been made in the scheme:—

(*a*) The minimum export performance for granting eligiblity certificates to export houses has been raised from Rs 25 to Rs 50 lakhs in the case of those export house who apply for eligibility for more than two product groups.

(*b*) It will be a condition that at least five percent of the exports on which eligibility is claimed by an export house or Rs 25 lakhs whichever is lower must be in respect of the products manufactured by small-scale units.

(*c*) Export corporations of state governments will also be required to show the exports of products manufactured by small-scale units of the value of Rs 5 lakhs per year.

(*d*) Sixteen more items have been added to the list of items banned for export houses.

Consolidation of Air Cargoes: A provision has been made to enable exporters whose export consignments are consolidated and exported through an agent recognised by International Airlines Transport Authority, to claim export benefits on the basis of the airway bills issued by the exporting agent duly certified by the Airlines concerned.

Simplification of Procedures

The procedures for processing of import applications have been further simplified, mainly as under:—

(*i*) Applications for automatic licences under the import policy for actual users will be made direct to the licensing authorities.

(*ii*) Applications for automatic imprest licences under import policy for registered exporters will be made direct to the regional licensing authorities.

(*iii*) Actual users will not be required to approach the licensing authority for any endorsement of spare parts for the purpose of import except in cases where they require to import non-permissible spare parts of a value higher than a specified limit.

(*iv*) The simplified procedure scheme (SPS) under which export benefits are disbursed on the basis of a preliminary scrutiny of the exporter's claim certified by a chartered accountant has been further liberalised. Exporters who have not been in the export field in the last three years will also now be able to avail of the benefit of the scheme provided they are prepared to give a bank guarantee of a specified amount.

(*v*) All import licences for raw materials and components issued on general currency area and rupee payment which were initially valid for 18 months and have not been revalidated will automatically be valid for 24 months.

(*vi*) The initial period of validity of CG licences has been raised from one year to two years subject to the order being placed on the foreign supplier within a specified time.

(*vii*) Additional items will be endorsed on REP licences by the licensing authorities concerned on the basis of the recommendation of the DGTD without such cases being sent to the CCI &E for clearance.

(*viii*) Import of machinery against REP entitlements will be allowed by regional licensing authorities on the recommendation of the DGTD without such cases being sent to the CCI &E for clear

(*ix*) Import of jigs, packing equip and testing instru will be allowed b gional licensing a rities against RE titlement within specified value without the r mendation of sponsoring autho the DGTD.

(*x*) In the case of s goods, the system issuing import r nishment licences been considerably plified by prescr a single weighted age of import r nishment against exports of sports g so that the expo of these goods are mainly in small-sector have to undergo a time- suming procedure making application

(*xi*) The validity of come-tax verifica number issued to porters has been r ed from three year four years.

(*xii*) A list of items of ther machinery c cleared by the DG from indigenous an has been publish For these items, licensing authori will not be required obtain indigenous c arance on individ cases.

(*xiii*) A list of items of m chinery required exporters of gem a jewellery duly clear by the DGTD fr indigenous angle h been published. F these items, the licen ing authorities will n be required to obta indigenous clearan on individual cases.

(*xiv*) The work pertaining the grant of impo licences for iron an steel items has be further decentralis so that small-sca units are in a positi

to make their applications to the licensing offices in their respective zones.

The work pertaining to the issue of initial and supplementary initial licences to eligible export houses has been decentralised so that the export houses are able to apply for these licences to the licensing authorities with whom they are registered.

) Check-sheets have been devised for actual users and exporters. These check-sheets have been published in the Import Trade Control Hand Book of Rules and Procedure. Applicants will be required to send these check-sheets duly fielled in with their import applications. This will reduce the incidence of incomplete applications and avoid consequential delays.

xport Trade Control

xport of Chemicals : four- items of chemicals, which hitherto banned for ex- but in respect of which enous availability has improved, will now be itted for export on a to case basis on merits. use of indigenous short- f soda ash, it has been ed to restrict the export is chemical. Export of ash will now be allowed case to case basis on mer- A list of the 15 chemi- brought on merit list uding soda ash) is given Annexure VI. Export of ene, toluene and methanol g in this list will be can- d through the STC.

xport of Iron and Mate- : Export will be allowed spect of certain catego- of iron and steel materials e extent these are surplus e requirements of produc- for domestic and export oses. Because of a higher value realisation, export gineering goods will be given preference over export of steel as such. Export of iron and steel materials and some categories of ferro-alloys will be canalised through SAIL International Limited. Export of ferro-scrap will be canalised through M.S.T.C.

Annexure—I

1. Iron and Steel Industries engaged in the production of the following: (*a*) Sponge iron; (*b*) Pig iron; (*c*) Steel ingots; (*d*) Rolled/rerolled steel; (*e*) Steel wires; (*f*) Tin plates; (*g*) Hardened and tempered steel strips; (*h*) Ferro alloys: (*i*) Ferrous castings; (*j*) Ferrous forgings; (k) Structural steel fabrication; (*l*) Steel pipes and tubes; (*m*) Steel wire ropes.
2. Non-ferrous metals and their alloys.
3. Boilers and steam generating plants including spare parts and components thereof.
4. Prime movers including spare parts and components thereof.
5. Electrical equipment, including spare parts and components thereof : (*a*)Equipment for generation, transmission and distribution of electricity, including transformers; (*b*) Electrical motors; (*c*) Electrical lamps; (*d*) Electrical furnaces; (*e*) Electrical cables and wires; (*f*) X-ray equipment; (*g*) Electronic equipment; (*h*) Storage batteries; (*i*) Dry cells.
6. Telecommunicati o n s including spare parts and components thereof: (*a*) Telephones (*b*) Telegraph equipment; (*c*) Wireless communication apparatus; (*d*) Radio receivers upto Rs. 225 in value; (e) Teleprinters.
7. Transport Equipment including spare parts and components thereof : (*a*) Aircraft; (*b*) Ships and other vessels drawn by power; (*c*) Railway locomotives; (*d*) Railway rolling stocks; (*e*) Buses, trucks, motor cycles, scooters; (*f*) Automobile ancillaries; (*g*) Bicycles; (*h*) Others, such as fork lift trucks and the like.
8. Industrial machinery, including ball, roller and taper bearings, speed reduction units, and grinding wheels and abrasives including spare parts and components thereof.
9. Machine tools, including spare parts and components thereof.
10. Agricultural machinery and implements including spare parts and components thereof.
11. Earth moving machinery including spare parts and components thereof.
12. Other mechanical and engineering industries including spare parts and components thereof : (*a*) Head tools; (*b*) Welding electrodes; (*c*) OTS cans; (*d*) Industrial fastenerrs.
13. Commercial and other equipment including spare parts and components thereof : (*a*) Computers: (*b*) Type writers; (*c*) Sewing machines and needles; (*d*) Hurricane lanterns.
14. Medical and surgical equipment and appliances including spare parts and components thereof.
15. Industrial instruments including spare parts and components thereof.
16. Scientific equipment and instruments, nuclear equipment including spare parts and components thereof.
17. Fertilisers (nitrogenous, phosphatic and potassic.)
18. Chemicals: (*a*) Inorganic heavy chemicals; (*b*) Organic heavy chemicals; (*c*) Fine chemicals including photographic chemicals; (*d*) Synthetic resins and plastics; (*e*) Paints, varnishes and enamels; (*f*) Synthetic rubbers; (*g*) Coke oven by-products; (*h*) Coal-tar distillation products like naphthalene, anthracene and like; (*i*) Explosives including gun powder and safety fuses; (*j*) Insecticides, fungicides, weedicides and the like; (*k*) Textile auxilliaries; (*l*) Sizing materials including starch.
19. Oil exploration production and refining.
20. Industrial gases.
21. Dyestuffs.
22. Drugs and pharmaceuticals.
23. Pulp and paper, including paper products.
24. Tyres, tubes and tyre cord.
25. Leather and leather goods, including leather footwear.
26. Glass.
27. *Ceramics*: (a) Fire-bricks; (b) Refractories; (c) Furnace lining bricks and insulators.
28. Cement, including asbestos cement and its products.
29. Graphite electrodes and anodes.

Annexure—II

List of items the import of which is allowed under open general Licence during April 1975—March 1976 (upto 31st March 1976)

S. No. & Part of the I.T.C. Schedule	Description
43/IV	Wattle extract
44/IV	Wattle bark
45/IV	Bark of tanning excluding wattle bark.
143(c)/IV	Pickled hides, skins, pelts, splits and parts thereof.
144(a)IV	Hides and skins, raw or salted, where the value of hides and skins is more than that of wool/hair thereon.
6/V	Quebracho extract, chestnut extract and modified eucalyptus extract (myrtan).

List of items indigenously available which will be allowed to actual users special clearance only

Annexure—III

(*Total No. of Items—42*)

S. No. & Part of the ITC Schedule	Description
PART—1	
17(v)(a)	Grey iron pipes.
29.	Wire ropes.
PART—II	
16(c)(i)	Sintered parts/components ferrous including pure iron.
16(c)(ii)	Sintered parts/components—non ferrous including bronze.
16(d)	Ferrous and non-ferrour wire mesh finer than 100 mesh.
17(a)(iii)	Non-ferrous electroplating anodes of all non-ferrous metals.
19/II	Ball/cylinderical roller/tapered roller bearings-certain sizes.
28/(4)	V. Belts of the following sizes: Section C, Size 40—42
32(b)	Vertical spindle hollow shaft motors.
48—A	Electric exploders and parts thereof.
PART—III	
1—B	Ortho toluene sulphonamide.
PART—IV	
87—109	Crude drugs, the following:

S. No.	Scientific or English name of the crude drug	Ayurvedic and Unani name of the crude druge
1.	Baleormeniac	Boora-e-armani
2.	Caster beaver Bever	Jund-a-bedaster.
3.	Castoreum	
3.	Lead Ore	Surma
4.	Poliporus offininalis Erics-Entire plant	Ghariquoor
5.	Mother of pearl	Mukta, Sukt Sadaf-e-sadi
6.	Rock salt	Saindhava
7.	Thymol	Sat-e-Ajwaye
8.	Yaqoot	Yaqoot
9.	Barberis valgaris Linn	Zarishk
10.	Lodoicea maldivica Pers	Naryal darya
11.	Panirdodi	Panirdodi
12.	Pearl, real (broken)	Mukta/Moti
13.	Vertical indica Linn	Rall
14.	Shell	Cowrie Kharmohra
15.	Ipompa purga Hayne Macican Jalap	Jalapa
16.	Rubia Corditolia Linn	Manjitha
17.	Shakar Teghal	Shakar Tegh
18.	Ocimum gratissimum	Firanj Mushk

PART—V	
22, 31	Chemicals, the following:— (1) Sodium Lauryl sulphate. (2) Chlorinated paraffins. (3) Pyridine base and pyridine techn (4) Picoline gamma (5) Metaldehyde (6) D.M.T.
65(v)(a) & (b) (Appendix 48)	Overload protectors below 1
67 (1)(i) (Appendix 35)	Printing machinery, namely— Wire stitching machine up or 31.75 mm thickness si headed.
87—88	ADV covers and tubes of following size:— Size 7.00—19, Ply rati 10
113—H	Polyvinyl chloride resin powde
PART—VI	Machine tools, the following: (1) Portable type Radical dril machines of above 30 mm 40 mm dia capacity in stee (2) Crankshaft grinding machi —all sizes
Appendix—35	Reduction gear boxes in ding marine gear boxes.

Annexure—

List of indigenously available items for which import policy been changed from "AU" to 'AU Restricted'

(*Total No. of Items—6*

S.No. & Part of ITC Schedule	Description
PART—I	
48(b)(ii)	Nickle and monel metal rods wires
PART—II	
19	Ball/cylinderical roller/tapered roller bearings—certain sizes.
21(1)	(1) Tension gauges of ra 4—24 gms

	(2) Pneumatic gauges with air plug gauges and setting masters.
7(2)	(1) Faller screws. (2) Faller slides. (3) Dead spindles for apron draft spinning frames and 5½ spinning frames.
6(d)	Teleprinters, accessories and spare parts.
r—III	
	Dyes intermediates, the following: (1) Betahydroxy napthoic acid (Bon acid) (2) Chloro dimethoxy nitro benzene. (3) Chloro dimethoxy benzene. (4) Chloro dimethoxy aniline. (5) 2.5 Dimethoxy nitro benzene (6) 2.4 Dinitro chloro benzene. (7) 2.5 Dimethoxy aniline. (8) 0-Nitro chloro benzene. (9) O-Nitro toluene. (10) P. Nitro chloro benzene. (11) P. Nitro toluene. (12) Beta napthol.
5(1) (Appendix—34)	(1) Uptwisting machine for synthetic yarn. (2) Synthetic yarn crimping machines. (3) Metallic wire mounting machines.

6(a) & (b) (Appendix—34)	Power operated circular knitting machines: (1) Sinker body machine above 22 gauge. (2) Non-sinker plain web machine above 22 gauge. (3) Jacquard interlock/Rib jacquard cum interlock machine. (4) Double knit machine Hosiery needless.
6(c) PART—IV 87, 109	(1) Glybencylamidé. (2) Para nitro benzoic acid. (3) Penazopyridine hydrochloride (Phenyl azodiamino pyridine hydrochloride), (4) Sodium lauryl sulphate (Pharma-copoeial grade). (5) Theophylline ethanoate of piperazine.
PART—V 22(a)	Caustic soda.
22, 31 (Appendix 28)	Chemicals, the following:— (1) Benzoyl chloride. (2) N-Butyl diethyl malonate. (3) P-Toluene sulphonyl chloride (4) P-Toluene sulphonamide. (5) P-Tolune sulphonic acid. (6) Dichloro acetic acide. (7) Ethyl monochloro acetate. (8) Dinitro chloro benzene. (9) Chlorinated rubber.

	(10) Phosphorous pentasulphide.
	(11) Para tert butyl phenol.
	(12) Monomethylamine.
	(13) Dimethylamine.
	(14) Monoethanolamine.
	(15) Diethanolamine.
	(16) Triethanolamine.
	(17) Trimethylamine.
	(18) CD-2(2-Amino-5-diethyl amino tolune mono-hydro chloride).
	(19) Iso phthalic acid.
	(20) Chloro acetyl chloride.
26	Soda ash
29(a)	Selenium metal to electronic industry.
34—37(d)	Alloprens chlorinated rubber
65(v)(a) & (b) (Appendix 48)	(1) Selenoid by-pass value (3 way value). (2) Deforst and temperature control (combindtion) (3) Thermo expansion (multi outlet) valu. (4) Overload protectors above 1 H.P. (5) Cylinder head gasketand valve plate gasket. } for specified end products.
78(viii) (Appendix 34)	Textile testing equipments the following:— (1) Crease recovery tester. (2) Pill tester. (3) Fabric crimp tester. (4) Stiffness tester.
93-94(a)(iv)	Tinted rough blanks.

Annexure—V

List of items in respect of which New AU Provision has been Made

(*Total No. of items—44*)

S. No. & Part of ITC Schedule	Description
PART—I	
44(e)/I	Jet plates or pre-plates micro zinc sheets, highly Polished.
PART—II	
17(c)	Aluminium stitching wire for tea industry.
20(1)(a), (b) & (c)	(i) Router cutter for engraving (ii) Burnishing tools required by the break manufacturers. (iii) Metal punches 0.3 mm to 3.00 mm
88—A(c)	(i) Spectral lamps. (ii) Prefocussed tungsten filament lamps for use in calorimeter and spectro-photometers to cover the U.V. region. (iii) Denterium lamps in spectro-photometers to cover U.V. region. (iv) Nerst source lamps to cover infra—red region. (v) Different hollow cathode lamps required for use an atomic absorption spectro-meter.
39(c)	Explosion-proof porcelain lamp holder for manufacture of light fittings.
PART III I—B	Ortho toluidine.
PART IV	
37	Oil palm seeds.
87—109	(i) Nystatin. (ii) Tetracycline base and tetr line hydrochloride.
127-129	Natural essential oils manufacture of food prod
156—160	High strength craft paper manufacture of paper abr
PART V	
22,31 (App. 28)	1. Ethyl accto acetate 2. Diethylamine. 3. Potassium chlorate. 4. Sodium Perborate exclu preparations thereof 5. Formamide. 6. Dicyandiamide. 7. Powderless itching chemic 8. Choline and all its salts. 9. Poly vinyl alcohol (si material for textiles) 10. Acetal dehyde. 11. Acctone. 12. Diethyl malonate. 13. Ethylene glycol. 14. Ethylene oxide. 15. Paraphenetidine. 16. Iso prophyl alcohol. 17. The following Pesticides: (1) Quinolphos. (2) Cycocel. (3) Probe. (4) Benlate. (5) Oxycarboxin. (6) Carbendazine. (7) Fluchloralin. (8) Chlormequat chloride. (9) Propachlor.
122(x)	Casein
123(xxvi)	Vanadium Pentoxide [other t catalyst grade)

Annexure-

List of Chemicals the export of which will be allowed on "meri

*1. Benzene.
*2. Methanol.
3. Methamino phenol.
4. Butyl alcohal.
5. Butyl acetate.
6. Ethyl acetate.
7. Mono chloro acetic acid.
*8. Toluene.
9. Ethanol amine.
10. Formaldehyde.
11. Di-acetone alochol.
12. O-xylene [Ortho-xylene]
13. Mixed-xylene.
14. Nitro-Toluene.
15. Soda ash.

*Export canalised through STC

st step into space

BY LAUNCHING the first satellite into space on April 19, 1975, from somewhere in the USSR our country became the 11th member of the space club of the world. Less than a year ago, this country had joined the e five-member nuclear club by exploding an underground nuclear device at n in Rajasthan. Both these achievements have brought laurels to our scientists dit to the country. Besides generating great enthusiasm, they have also acted le boosters, especially in the ranks of the ruling party.

naming the satellite as Aryabhata, this country had honoured the Indian aser and mathematician who was born near Patna in 476 A.D. Aryabhata had not d down the foundations of modern algebra but had also recognised the impor- f the movement of the earth round the sun and had determined the parameters eavenly bodies such as the diameter of the earth and the moon. Besides point- the importance of "Zero", he had calculated the value of π correct to four of decimal.

he first leap into space has provided our scientists with opportunity to acquire technology and to conduct scientific experiments in space concerning measure- f X-rays from celestial sources, locating neutrons and gamma radiation from and the determination of the ionosphere parameters. That the satellite was ed from a Soviet Cosmodrome with the assistance of a Soviet rocket carrier did any way minimise the importance of the contribution made by our scientists. the late Dr. Vikram Sarabhai who had set up the Indian Space Research Organi- (ISRO) in 1970. Prof. M.G.K. Menon, at present the chairman of the Electro- ommission had concluded an agreement in 1972 with the USSR Academy of es according to which ISRO was to both design and build the satellite for launch- om the USSR. The credit for making this dream come true went to Prof. S. an who headed ISRO since July 1972. Such public sector undertakings as the stan Aeronautics Ltd (HAL), Controllerate of Inspection Electronics (CIE), the nal Aeronautical Laboratory (NAL) and the Bharat Electronics Ltd (BEL) had onsiderable technical support to ISRO. It was the collective effort and perseve- of scientists and technicians which made it possible for this country to enter the age.

The developed countries have derived rich dividends from space research. In he fall-out from such research has brought about a revolution in various civilian defence industries. Even the civil engineering profession and the construction try in the USA had benefited from the different aspects of space research and ology. Many products developed in the laboratory for the space programme had their way to the marketplace. Cooking and food preservation techniques had oved as a result of the aerospace research. The developing countries such as ours nake use of the satellite technology in the fields of navigation, communications the location of resources.

The satellites have in recent years been increasingly used for geographical uses. known that even by 1970, about half of the land surface of earth had not been map- adequately. There were vast areas which had received little attention from the ographer. In many cases, these unmapped areas had resources which could bring endous economic benefits to developing countries. Even for areas for which de- d maps were available, the information was obsolete. The truth of the matter was not many nations had resources to bring their maps up-to-date. It was in this ext that Aryabhata had great importance for our country. Our continued researches this highly sophisticated branch of science might result in our finding out the len resources, particularly crude oil.

This country is dedicated to peaceful uses of scientific knowledge and technology.

eastern ECONOMIST

APRIL 25, 1975

Our detractors might accuse us of having diverted massive funds for space and atomic research when poverty stalked vast areas of the country but it would be unwise for us not to give all the support to scientists and technicians who had put this country in the ranks of the scientifically-advanced countries. Many a brilliant Indian scientist had migrated in the past three decades to the industrially advanced countries because of lack of opportunities here. We must support these scientific programmes if for no other reason but to stop the continued brain drain from this country. In fact, it might induce many outstanding scientists to return to the motherland to assist in highly technical fields.

This country is indeed indebted to its men of science for two outstanding achievements in less than 12 months. Surely they need all the encouragement for persevering in their special fields so as to scale new peaks in scientific discovery in the coming years.

Has HPF turned the corner?

DOGGED BY an ill star, Hindustan Photo Films Manufacturing Co. Ltd. (HPF) — a public sector undertaking — had not given a good account of its working in financial terms in any single year since its inception though in 1974-75, there was a significant drop in its loss to Rs 1.80 crores as against the losses of Rs 2.97 crores and Rs 2.73 crores in 1972-73 and 1973-74 respectively. The accumulated losses since January 1967 when the manufacturing unit was formally inaugurated at Ootacumand (Tamil Nadu) were as high as Rs 19 crores. The fall in the annual loss was no doubt welcome but until HPF was able to make both ends meet, it would be hard to believe that it had turned the corner.

Ever since the new managing director, Mr M. K. Raju, took over the stewardship of this unit, encouraging improvement in its operations had been witnessed. Production of raw film improved by 62 per cent in 1974-75 over 1972-73; in value terms, the rise was of the order of 165 per cent from Rs 5.7 crores (1972-73) to Rs 14.0 crores (1974-75). What was more, productivity per worker rose by as much as 30 per cent.

All this was possible because of the reorganisation of the set-up leading to increased utilisation of capacity. In 1972-73, HPF was able to utilise only 48 per cent of its capacity which rose to 58 per cent in 1973-74 and further to 78 per cent in 1974-75. If the latest tidings from the unit were to be believed, in the first quarter of the current year, almost full capacity had been utilised with an all-time record in manufacture in March 1975.,

One of the many activities of HPF was the manufacture of silver nitrate which had turned out to be a wasteful process. The actual loss of silver from 1970-71 to 1973-74 was significantly higher than the standard loss. Happily, the performance of this department in 1974-75 indicated that the actual loss of silver was no more than the standard loss. The losses of earlier years amounting to a few tonnes of silver (valued at more than a crore of rupees from 1966-67 to 1972-73) were no doubt annoying but the mastery of the manufacturing technique with indigenous plant and equipment and 100 per cent indigenous raw materials was heartening. With process losses under control, there was a distinct possibility of the unit being able to export silver nitrate to European countries. Consequently it was proposed to increase its production from 48 tonnes in 1974-75 to 72 tonnes in 1975-76.

HPF had specialised in the manufacture of black and white fims but the film industry in this country had changed over to colour films. No Hindi film in this country could be successfully marketed in black and white. The regional language films were also swiftly changing over to colour films. Consequently, the film industry in this country was entirely dependent on imported raw colour films. Every year colour films in the form of jumbo rolls were imported from abroad and they were cut into the requisite sizes for use by the film industry. HPF authorities were of the view that the import of jumbo rolls valued at about four crores of rupees every resulted in a saving of about 20 per i.e. nearly eighty lakhs of rupees. these rolls were imported by and from ORWO — a GDR enterpris against rupee payments, they did not any stress on the foreign exchang sources. Small quantities of colour were also being imported every year some of the well-known multinati such as Eastman Kodak Compar Rochester (USA), and they were in demand because of the quality of the

Recently, Mr T.A. Pai, the union m ter for Industry and Civil Sup visited the HPF plant at Ooty was reported to have expressed sat tion with the way its working showing signs of improvement. ever, he ruled out the possibilit HPF taking up the manufacture of lour films in the near future. The reason given by him for this decision that it would involve an additional ca investment of Rs 25 crores for plant machinery, and he was not prepare sanction so big an outlay for this pr which would cater for largely the e tainment of the people. It followed this country would continue to depen imported jumbo colour rolls till a la solution in the form of a manufactu unit was found. During the past years, protracted discussions with s manufacturers — Kodak from the and Fuji from Japan — had been without any concrete results. As the lour film technology was more com than the black-and-white film technol this country had no option but to im it as early as possible. If the public tor felt hamstrung due to the paucity resources, surely the doors could thrown open to the private sector for n tiating a collaborative effort with for companies. Prolonged dependence imported colour films was surely not in larger interests of the country.

A demand had been made by Mr M Raju, chairman of HPF, that the cap structure of the undertaking should be vamped by converting a part of the ac mulated loss of Rs 19 crores into capi The central objective of changing a p of the credit into equity capital was to

he dead weight round the neck of o that it could demostrate the im-ent that had been brought about in ctioning. There was no doubt that ad recorded a loss of Rs 1.80 crores 4-75 but if the interest charges on ved capital were not taken into ac- the undertaking had shown pro-Rs 40 lakhs. It might be argued that business enterprise had a moral tion to service both the equity and ved capital and HPF had not fully ed the confidence of the government provided it with both, yet it could denied that since 1974-75 the finan-operations had shown marked im-ment and if this trend continued, it would perhaps be out of the woods

e Committee on Public Undertakings) in its 55th report had drawn atten-to a number of deficiencies in the ing of HPF. This report related to period ending in 1972-73. Among many drawbacks which the CPU lis-the inferior quality of the products d out by HPF topped the list. Said Committee. "The number of com-ts received from the consumers has ased from 343 in 1968-69 to an all-time high figure of 1066 in 1972-73. The value of credit notes issued in 1972-73 alone amounted to Rs 11.28 lakhs. The committee also find that the number of complaints has increased particularly in the case of Bromide paper where the number has gone up from 51 in 1968-69 to 650 in 1972-73. The committee regret to note that in spite of the large number of complaints, the undertaking had not been making any cause-wise analysis of the complaints till 1970-71. It has been admitted that there were some lapsès in the past but the present system control has definitely reduced rejections."

HPF is still a sick unit. Simply because its financial operations have shown some improvement in 1973-74 and 1974-75 does not justify the conclusion that its bad days are over. Besides careful elimination of its shortcomings, it has to win over the confidence of the consumer through greater attention to the quality of its products. Photographers using still photographic rolls do not have full confidence in HPF's brand name INDU. Mr M.K. Raju and his team will have to work much harder for the next few years to win over the confidence of the consumers.

Food puzzle

DEVELOPMENTS in the food situation e past five years have been so intrigu-that even experts feel baffled by the ds in the index for cereals in the food p. On the basis of the published esti-es of the yield of different food crops e 1969-70 there should not have been a galloping rise in prices in the past e years with the food group outstrip- the pace of others. The increase in lesale prices since 1972-73 was so ming that the government was at its ' end to devise measures for checking ctively inflationery pressures. The nges in procurement prices and also procurement policies did not have the red effect and it became eventually essary for the union ministry of Agri-ure to conclude large contracts for im-ting foodgrains on a commercial basis rt from securing two million tonnes of wheat from the Soviet Union, as loan to be repaid in kind over five years.

It was recently disclosed by the minister of state for Agriculture, Mr A.P. Shinde, that as much as 4.87 million tonnes of grains had been imported in 1974 and the government was thinking of importing again sizeable quantities in the current year. He added that the scope for reducing imports later in the year would be examined only if it became clear that the prospects for the forthcoming kharif season were reassuring. The outlay on imports in 1974-75 has been extremely costly it being estimated that around Rs 700 crores would have been spent on this account and over 70 per cent of the trade gap for the last financial year was caused by these heavy food imports at prices which were higher than in earlier years.

Having regard to the reversal of the upward trend in wholesale prices since the end of September last year, and the net increase in the index for all commodities at the end of March by only 8 per cent as compared to the index at the end of the same month in 1974, it may be claimed that the outlay in foreign exchange on massive imports of food-grains has been worthwhile. There is certainly reason to believe that the real situation in regard to the availability of foodgrains can be determined only with the distribution of 1.1 million tonnes of wheat and other cereals every month through fair price shops. With the recently procured quantities of rice and continuing imports, the level of stocks held by the Food Corporation and other agencies is now quite gratifying. Procurement credit extended by the scheduled commercial banks to the Food Corporation and other agencies amounting to Rs 584.95 crores on April 4, 1975, represented an increase of Rs 220 crores as compared to the coresponding week last year. It will not be unreasonable to presume that buffer stocks have risen by two million tonnes and with the prospect of heavy procurement in May-July when the bumper rabi crops are harvested aggregate stocks can rise to nine million tonnes by July, a level that prevailed in the middle of 1972.

With a record crop of 27 million tonnes of wheat in 1974-75 and an indication that the Punjab government alone will be able to contribute 2.5 million tonnes of this cereal to the central pool, the procurement target of 5.5 million tonnes for rabi crops can even be exceeded. If imports up to July amount to one million tonnes and freshly procured foodgrains aggregate to 5.5 million tonnes, gross availability will be 11.5 million tonnes and even with the issue of a little over three million tonnes through fair price shops in the period under reference, net buffer stocks can still be 8,5 million tonnes and more if imports and procurement prove to be of larger dimensions. With this prospect, it should not be difficult to avoid a further rise in prices of cereals.

It will indeed be justifiable to expect that the abnormalities in open market values should disappear and the gap between open market prices and procurement rates should get considerably nar-

rowed. There has already been a drop in wheat prices in Punjab and Haryana though they are still quite high in UP and elsewhere. The real meaning of harvesting of bumper rabi crops and the building up of sizeable buffer stocks can be understood in the light of developments in the coming months. It is perhaps safe to say that the index for cereals will decline sizeably though it is difficult to anticipate at this stage at what levels food prices will get stabilised.

It will of course be incorrect to expect that there will be a rolling back in open market prices to the levels of 1973 March when it stood at 241 (base 1961-62=100), But the consumers will feel highly grateful even if the level of March 1974 can be reached again when the index stood at 309. The distribuion of grains through fair price shops amounting to 12 million tonnes annually covers only a small section of the population and only a lower level of prices in the open market will be helpful to other consumers in the urban and rural areas.

It has thus been possible to arrest an alarming rise in prices for foodgrains and other commodities only with massive imports and other anti-inflationary measures though a fairly satisfactory level of food output in 1973-74 and 1974-75 has been mainly responsible for making a success of the new efforts to check inflation. But what is the annual requirement of the country in terms of gross output of foodgrains and how can the planners proceed to implement new schemes with a fairly stable level of prices? An analysis of the estimates of food production and imports in 1970-75 shows that the government has not shown keen awareness of the significance of food availability for preventing the emergence of a psychology of scarcity and for defeating the activities of unsocial elements in the food trade and hoarding by farmers. In 1969-72 it was possible to have a stable level of prices with total gross availability of 107 million tonnes of foodgrains. Aggregate imports during these three years were 8.78 millon tonnes or less than three million tonnes annually. There is reason to believe that the estimates of food production were fairly reliable and it would not have been necessary to import even nine million tonnes if output in 1969-70 also had been quite high. But a production of 102 million tonnes in that year's context was quite gratifying and the peak of 108.4 million tonnes touched in 1970-71 is yet to be surpassed.

In the five-year period under reference there has been only one bad year with the output at 97 million tonnes. But, the earlier estimates were around 103 million tonnes. These were subsequently scaled down to 100 million tonnes and again to 97 million tonnes. In that year there was no great anxiety to secure large imports as buffer stocks in the middle of 1972 were at the peak of nine million tonnes and it was thought that total availability would be more than immediate needs. In 1972-73 imports were thus only 4,50,000 tonnes it being decided to dispense with concessional imports, from the end of 1972. Luckily, there has been a recovery in food production in the subsequent two seasons and with imports, total availability has been more than 108 million tonnes. Having regard to the growth in population subsequent to 1969-72 and an increase in consumption standards, it has probably become necessary to have availability of at least 112 million tonnes if the activities of hoarders and speculators are to be thwarted and the public dist[...] system is to function smoothly.

It has therefore become imper[...] plan on the basis of total availa[...] 110-112 million tonnes and food [...] are to be restricted to 2-3 million [...] total production in the 1975-76 [...] should be at least 109 million ton[...] view of the fact that the output [...] million tonnes in 1974-75 i[...] achieved even with a sharp [...] khariff production by seven [...] tonnes and the drought in [...] Nadu accounting for a loss of [...] tion of at least 1.5 million to[...] should not be difficult to establish [...] record of 110 million tonnes and a[...] there is a crash programme for ec[...] the record of the 1973-74 kharif sea[...] there is a repetition of the perform[...] of the current rabi season. In tha[...] food imports in 1975-76 can be s[...] It can even be eliminated though pr[...] will dictate arrangements for secu[...] least two million tonnes. What i[...] important is the concentration of [...] on boosting food production to 1[...] lion tonnes in the next season and [...] ing regularly an increase of two [...] tonnes thereafter. Then only it [...] possible to make a success of a[...] schemes and prevent a large di[...] of current revenues for non-develo[...] purposes.

Capital for industry

THERE IS so much loose talk about the need for restructuring the capital market and raising funds from new sources that the average investor is left wondering what scope there is for activising the capital market without the government understanding correctly its maladies. The union minister for Industry, Mr T.A. Pai, sometime back indicated that the required funds can be raised with a new approach to investors and a broadening of the base of the capital market. The Deputy Governor of the Reserve Bank, Mr Hazari, for his part has observed that the stock exchanges are indulging in unnecessary speculation and the investors are not prepared to utilise their savings for acquiring industrial securities because of the low yield available at current market values. It is over[...] all the time that the governme[...] aquired control of the main sour[...] funds by nationalising life insuran[...] general insurance business and [...] taining strict control over the res[...] of scheduled commercial banks. The[...] cial corporations, central and state [...] been issuing bonds on a privileged [...] and the Life Insurance Corporatio[...] banks have been directed to make [...] cess of the issues of these bonds. The [...] dent funds and trusts also have to d[...] of their resources in a specified m[...] and with the recent new regulations [...] is very little freedom in respect of th[...] position of fresh additions to resou[...]

The state electricity boards and th[...] tutory financial corporations are us[...] borrowing on such a cheap basis th[...] interest rates on bonds have no p[...] relationship with the prevailing le[...]

rates of banks or even the bank With a restrictive policy adopted scheduled commercial banks in to the extension of credit limits, when high interest rates are being d, have compelled industrial units e deposits from the public and even unsecured loans. Because of the nterest rates charged by banks and on-availability of credit, it has been worthwhile to pay interest rates r than those charged by banks on advances and in the past year there een a mad rush for accepting deposits unsecured loans even by reputed in-al establishments as their ways and s position has become extremely mfortable.

analysis of the working results of large public limited companies for -74 shows that, even with a higher of earnings and the retention of a r proportion of these earnings in the nesses concerned, it became necessary them to borrow heavily from banks the public apart from obtaining liberal e credits. It cannot be said that there been an undue build-up of inventories industrial establishments are seeking obtain credits from banks and also ke full use of available facilities for bilising additional resources in an easy nner for carrying out their operations rrily. When prices are rising there may a disposition to maintain larger inven-ies of scarce raw materials and compo-nts in order to be in a position to take vantage of subsequent appreciation in lues. But with the curbs imposed by e Reserve Bank and high lending rates, cessive inventories could not be easily aintained. A closer analysis of the inven-ry position is necessary to find out how nds are locked up in the unwanted stocks raw material and components.

The retained profits of 355 companies nder reference out of earnings for 1973-74 mounted to Rs 456.07 crores against Rs 93.88 crores in 1972-73. These additions o internal resources consisted of provi-ions including depreciation (of Rs 240.27 rores), a total of Rs 278.80 crores while dditions to reserves and surplus were Rs 139.85 crores. There was an increase n the paid-up capital by Rs 37.42 crores as a result of capitalisation of reserves. External resources amounted to Rs 345.27 crores against Rs 143.70 crores and the increase was mainly due to trade dues and other current liabilities of Rs 214.91 crores against Rs 104.06 crores.

The larger generation of internal resources could not be of any great help for meeting additional needs of working capital as gross fixed assets rose by Rs 399.75 crores against Rs 360.68 crores. As inventories rose by Rs 222.57 crores against Rs 109.39 crores and loans and advances also were higher by Rs 114.51 crores against Rs 55.29 crores, larger amounts had to be accepted from the public by way of deposits and unsecured loans besides trade credits.

There should have been a further deterioration in the financial position of many companies in 1974-75 and it is not surprising that the quotas for deposits and unsecured loans have been fully utilised by even reputed companies, as stated above.

It is certainly undesirable that there should be an unscientific and erratic manner of mobilising resources. There is as yet no attempt to understand what exactly is the significance of the recent developments and how the capital structures of even leading industrial units should be redesigned for meeting the needs of a new situation. With no prospect of a significant reduction in capital costs and no significant rolling back of wholesale prices those in the management of expanding industrial units and implementation of modernisng schemes have to be helped to examine how the equity base can be enlarged and additional resources raised also in the form of convertible debentures, participating preference shares or the like. It is expected that the recommendations of the high-level committee inquiring into the impact of inflation on capital costs and the method of providing additional incentives will be helpful as it has become clear beyond doubt that there will have to be some system of investment allowances, rebates in excise duties or the fixation of differential prices for controlled products in order to overcome the adverse effects of higher capital costs. The observations of the prime minister at the recent annual meeting of the Associated Chambers of Commerce and Industry have however had a dampening effect as the plea for continuance of development rebate, has been rejected along with the suggestions for adjustments in taxation on the basis of inflation accounting. The grant of development rebate is opposed on the ground that it is discriminatory while acceptance of the principles involved in inflation accounting will result in a loss of revenues for the exchequer.

How are the conflicts in interests to be resolved and how can the adverse consequences of high capital costs inthe shape of higher prices for end-products be cushioned? There is no escape from granting some form of investment allowance for minimising the serious effects of higher capitalisation. There will also have to be attractive rebates in excise duties while as stated above the prices for controlled products have to be revised suitably. Even with these concessions the dependence on outside sources for mobilising resources cannot be overcome and it will also have to be agreed that the return on investment should be worthwhile.

The pursuit of a dearer money policy will necessarily gives rise to exaggerated expectations about interest rates on deposits, debentutres and preference shares. If prior charges become costly dividends on equity capital also will have to be equally attractive. Unfortunately the restrictions on dividend payments have come about at the wrong moment and the stock markets are needlessly depressed. The current yields are low because of pitifully low dividends. The market values would have been much lower but for the feeling that the replacement cost of existing assets of many industrial units will be much higher than the book value and the existing industrial producers have a distinct advantage over new entrants. The restructuring of the capital market can thus be attempted only if there is new thinking about the incidence of corporate taxation and the manner in which additional resources should be raised. Without a proper appreciation of the outstanding issues and a sincere effort to encourage saving and investment, further industrial progress cannot take place at the desired rate. The stock exchanges also cannot play an active role in mobilising new savings unless the shackles are removed.

FROM THE CAPITAL CORRIDOR

R. C. Ummat

Aid Prospects • Public Investment in Government Undertakings • Problems of Developing Nations • Jute Goods Exports

INDICATIONS ARE available here that the World Bank may recommend to the next meeting of the Aid-India Consortium, to be held in Paris in June, that the Consortium should raise its aid commitments for the current year to about $1,500 million. This assessment of the World Bank team, which visited New Delhi recently, is said to be based on the fact that notwithstanding exports during 1974-75 likely to exceed the previous year's level of Rs 2,483 crores by nearly Rs 715 crores, the trade gap for the last year might grow to as much as Rs 1,000 crores, as against Rs 438 crores in the previous year.

During the current year, although exports are expected to show some further improvement, there is every likelihood that the unit values of many exportable commodities would go down in view of the reduced demand for them in the developed nations. The World Bank team feels that our import bill this year may turn out to be as high as in 1974-75, if not larger. The foreign exchange expenditure on the imports of crude oil and petroleum products is expected to be marginally higher than Rs 1,130 crores in 1974-75. Imports of fertilizers may cost more. As regards foodgrains, although their imports will greatly depend on the next kharif crop, they may have to be at least five million tonnes so that some buffer stock can be built.

The improvement in the domestic output of steel and non-ferrous metals, of course, has been appreciated by the World Bank team. The imports of these two commodities, the team expects, may go down but that will not be enough to keep this year's aid at the last year's level of $1,400 million assistance from this source.

* *

The first move towards inviting participation by the general public in the equity of central government undertakings will be made on April 28 when Scooters India Limited enters the capital market for raising Rs 2.15 crores through the floatation of 21,50,000 shares of Rs 10 each. If fully subscribed, these shares will form 43 per cent of the currently contemplated equity of the undertaking — Rs 5 crores. The authorised capital of Scooters India, of course, is Rs 5.5 crores, consisting of 55,00,000 equity shares of Rs 10 each. Of the issued capital of Rs 5 crores, the central government has already taken up shares worth Rs 2.04 crores and has further agreed to pick up shares to the extent Rs 51 lakhs. The remaining shares worth Rs 30 lakhs are to be issued to M/s Innocenti of Italy in part consideration of machinery supplied by them.

prominent example

This should put at rest all controversy over the desirability of allowing participation by the general public in governmental undertakings. Even though there have been precedents in this respect in the nationalised sector — the most prominent example of this being the State Bank of India — and in the units being put up by state industrial development corporations, the controversy had been raised by those with leftist leanings who saw in the move an attempt to dilute the concept of public sector.

The choice of Scooters India as the first central government undertaking to have investments from the general public apparently has been prompted by the expectations that it will be able to yield adequate return on public investments. The project set up near Lucknow at a total cost of Rs 13.82 crores will be having equity debt ratio of about 1:2. The financial institutions and a nationalised bank have made available loans to the extent of Rs 2.7 crores. The central governmen loaned another Rs 5.5. crores.

The management of the undert expects that due to certain favourab tors, it will be able to earn in 1976- when the licensed capacity to pr 100,000 two-wheelers and 30,000 wheelers would be exploited fully gross profit (after providing for dep tion) equivalent to the equity ca During the current financial year, th put is envisaged to be of the order of 6 two-wheeler scooters and 5,000 t wheeler machines.

justified expectations

The expectation of the management not seem to be unwarranted. Du the acute shortage of two-wheeler sco in the country and the demand anti ted to grow further following the gra but steady switch-over from cars to s ters as a personal means of transport product of the undertaking — Vijai luxe scooter — will find a ready ma As initial production has already sta —even though both the physical and m tary targets for 1974-75 could not achieved fully — there is practically gestation period during which the pu subscriptions will not participate in ac production. The non-fulfilment of year's physical target of producing scooters and the monetary target of ing a turnover of nearly Rs 6 crore attributed to some delay in securing mandatory trial results from the Veh Research Development Establishm Ahmadnagar. As against the target having a turnover of Rs 1.7 crores February last, the undertaking could tain a turnover of only Rs 6 lakhs. physical terms, the output by then been 102 scooters, as against the targe 500 scooters. The tempo of producti however, is stated to have increased great deal since last month. Nearly 1, scooters are expected to be marke during the current month.

The product has already been well ceived in the market. It is a model desi ed and developed by the Italian conc

hich had not been marketed by it to the transfer of the plant and nent to Lucknow. Technically the r has been assessed as excellent. h in the heavy range, it is consi- as a light vehicle as its horsepower is 40 per cent more than that of the ile model. The fuel consumption of w model too compares very favour- with the erstwhile model; it is stated 43/45 km. per litre at an average of about 40 km.

high profitability of the venture is uted to various factors. The cost oduction of Scooters India is said to gnificantly lower than that of the producers in the country, owing to wage rates in Uttar Pradesh com- l to Bombay where the works of the etitors are located, the adoption of production technology and significant gs resulting from procurement of ponents from an ancillaries estate just by the main plant. The proximity as ncillaries estate will obviate a good of expenditure on freight, packing central sales tax on the bought-out ponents. This will also enable the rtaking to keep its inventory low.

& D programme

ith a view to improving its profitabi- further, the undertaking is launching n ambitious research and development gramme. It hopes to develop through effort and market in the next two years gh quality Moped and a lighter model two-wheeler scooter. A light three- eler road carrier has already been de- ped; it is expected to be marketed this itself. The undertaking also will be viding power packs to seven state ncies in Kerala, Tamil Nadu, Punjab, st Bengal, Andhra Pradesh, Bihar and nataka for manufacturing 24,000 oters per annum by each agency by the l of the next financial year.

he above programme of the under- ing, indeed, is ambitious. If accompli- d, it can help in the realisation of the fitability projections. Much will, how- r, depend on how far the operations of undertaking are kept strictly commer- l and interference from bureaucrats l politicians is obviated. The move to e participation by general public in equities of central government under- ings will surely depend on how far the eriment of Scooters India succeeds.

Mention may also be made here of two her programmes of the undertaking. distribution system is being designed foster self-employment of qualified en- neers below 27 years of age. They will n the nearly 400 retail outlets Scooters dia expects to have throughout the untry. They will also undertake after- les service. Qualified and experienced engineers have been invited to set up ancillaries for the supply of various parts and components to the undertaking. These entrepreneurs are required to provide five per cent capital on their own, the remainder 95 per cent capital is being provided by the government of Uttar Pradesh and scheduled banks. Already 28 ancillary units have been established near the main project. Another 22 units are expected to be set up by next year. The undertaking has already started exploring export prospects in the USA and the UK. Letters of Intent are stated to have been received for exporting during the current calendar year scooters and spares worth Rs 1.6 crores.

* *

The Secretary-General of UNCTAD, Dr G. Corea, indicated at a press conference here this week that the proposed international commodities buffer stock scheme might be confined to commodities other than those for which specific commodities agreements were already in existence. It might also not cover foodgrain if the decision of the recent World Food Conference to have an internationally supervised national stocks scheme was implemented. At the last year's prices and including the buffer stock of foodgrains, the international commodities buffer stock scheme would have involved an investment of \$10 billion. The cost now might be less in view of the decline in the prices of several commodities and foodgrains being excluded from the scheme. The modus operandi of the scheme, however, still remained to be finalised.

Dr Corea expected the funds for the scheme being available from three sources; (i) an export levy on primary products; (ii) contributions by the industrialised countries; and (iii) contributions from the surplus revenues of the oil exporting nations. To attract funds for the project the return, Dr Corea stressed, would have to be adequate and guaranteed.

Dr Corea revealed that the draft agenda for the fourth session of UNCTAD, to be held at Nairobi in May next year, would be finalised in about six months. It would in a way be the climax of the significant discussions being held or proposed to be held in various international forums like the Paris meeting on energy and raw materials problems, the UN General Assembly meeting on development and the UN session on midterm review of the Second Development Decade. Among the major problems facing the developing countries, Dr Corea observed, were the commodities pricing problem and the linkage of these prices to the prices of manufactures; (ii) the financial needs of the developing countries; and (iii) the directional aspects of trade, particularly with reference to the fostering of trade among the developing countries themselves. Dr Corea added that it was generally appreciated that primary commodities, barring a few, had been a neglected area hitherto despite the fact that 70 per cent of the income of developing countries accrued from this source. It was also being felt that ad hoc emergency measures in this field would not be enough; a comprehensive approach had yet to be thought of for tackling the issue.

Questioned about external aid and UNCTAD's role in relation thereto, Dr Corea conceded that this was an area of relative failure and poor progress. Aid flows, which had tended to stagnate a few years ago, never reached the target of concessional aid on government-to-government basis of 0.7 per cent of the GNP of the donor countries. Currently, the overall flow was just about half this target even though the national incomes of the donor countries had gone up by about 50 per cent.

* *

Deeply concerned over the decline in exports of jute goods due to the severe competition from synthetic packaging materials, India and Bangladesh may launch a joint action to regulate these exports as well as those of raw jute through the instrument of buffer stock operation. A two-member official delegation, comprising Mr M. Narasimhan, Additional Secretary in the department of Economic Affairs in the ministry of Finance, and Dr A. Sen-Gupta, Economic Advisor to the ministry of Commerce, are currently in Dacca for this purpose. The aim of the discussions which they are having with the Bangladesh government is to arrive at an understanding on price levels so that neither country loses on overseas sales through undue competition.

POINTS OF VIEV

Rural employment scheme in Maharashtra, Keral

M. R. Meher

CRASH PROGRAMMES for rural employment by the central government have been in operation since 1971. Some Rs 170 crores have been spent during the fourth Plan on these schemes. Yet they have not made much impact on rural employment. There is even a point of view that these schemes have crashed. In view of this, the working of the Maharashtra government's rural employment guarantee scheme and the rural employment scheme of the Kerala government will be watched with interest.

Under the Maharashtra scheme guarantee of employment is for unskilled manual work in the rural areas, excluding municipal areas, to men and women over 18 years of age who are unemployed and able and willing to work. They have to accept whatever work is given. The scheme does not apply where employment is available under the Plan, or non-Plan work is in progress. Work is to be provided after a demand is made by 50 persons within 15 days of the demand. The district collector who is in overall charge of the scheme has to obtain from departmental heads plans for productive work to be undertaken under the scheme.

area-wise schemes

On the basis of these proposals area-wise programmes are prepared. Inventory of equipments like road rollers, dumpers etc. available with the various departments is prepared and such equipment is required to be sent from areas where they are not much needed to areas where the need is great. The secretary of each village panchayat has to assess the scope for provision of work on local schemes and send a list of employment seekers to the Tahsildar who will maintain a samiti-wise list of such work seekers.

If work is not available in the panchayat samiti area it is to be provided in the adjoining panchayat samiti area in the district, after ensuring that the work will be available there for at least 15 to 30 days. The works under the scheme are to be selected from those approved by the district employment committee. Government departments dealing with soil conservation, buildings and communications, irrigation and power and zilla parishads will be among the implementing agencies as per directions and under the general supervision of the collector. The works proposed include productive labour-intensive works like percolation tanks, storage tanks, deepening of partially dug community wells, soil conservation and land development work such as contour bunding, terracing, nulla building, afforestation, measures to ensure full utilisation of water resources etc.

criterion for wages

Wages are to be paid according to the quality and quantity of work done by the worker without distinction of sex. An average worker working diligently for eight hours a day would get Rs 3 per day. The works are conducted departmentally, not through contractors, except certain kinds of work to be executed on piece rate basis, which would give the worker the wage available to the daily rated worker. A three-man performance audit squad under the control of the collector is expected to check the implementation of the work with reference to the number of workers on the muster roll, output of work done, timely payment of wages, supervision of the quality of work etc.

For general supervision of schemes, a state level committee consisting of ministers in charge of Irrigation, Agriculture, Finance, Industries and Labour, Buildings and Communication and Planning has been set up. There are also committees at district and panchayat level. The district level committee headed by the minister in charge of the district as chairman and the collector as vice-chairman evaluate, plan and control the schemes. The committee includes members of parliament and the state legislature and the executive officers of the zilla parishads. The collector is required to submit monthly progress report. On the basis of this report the Planning department releases ways and means funds to the lector and arranges to train the ope personnel for formulating projects, power budgeting and other operat procedures of the schemes.

well-conceived programme

It is claimed that since the scheme been in operation 2,75,000 pe have been provided with jobs. Whil scheme is well conceived it is not why the government has bound itse carry out projects within 15 days of demand by 50 persons. The period is short. The object of requiring th quisite number of persons to make demand seems to be to secure public volvement in the project, but the gov ment must have power not to sanc unsound projects. According to the get for 1975-76 the scheme will cost 50 crores during the year of which a half the amount is proposed to be ra by taxes, mainly the profession tax the other half from the normal bu revenues. The proposal has been critic on the ground that a disproportio burden is put on the urban people inc ing salary earners. It has been u that the profession tax on salary earne income tax through the back door. of the proposed special levies which expected to bring in about Rs 23 cro the burden falling on wealthy farm would only be Rs 2.34 crores.

To come now to the Kerala scheme is intended to provide employment 100,000 villagers in a period of three ye An industrial estate will be set up in e of the state's 967 panchayats. Each tate will have 10 sheds. Each unit is pected to give employment to 10 work The industries proposed are food proc ing, chemicals, rubber, plastics, leat and wood-based industries. Industries up will be as can get raw material fr nearby areas. The sheds will be put by the Small Scale Industries Corporat which will also arrange the other inf structure. The entrepreneurs will not required to pay rent for the sheds for

e years, during which they will uired to pay only the electricity . The Small Scale Industrial Ser- stitute and the Kerala Industrial echnical Consultancy Organisation be helping entrepreneurs in pre- project reports. A branch of one national banks will be set up in ndustrial estate. Entrepreneurs will required to give additional securi- r loans from the banks.

n the above it is seen that the ashtra scheme is more ambitious, m being to guarantee employment for all persons able and willing to work in the rural areas and involves a very large outlay. The large amount of taxes raised for the scheme may in the long run prove a justifiable burden if the government is able to bring down prices of agricultural products by maximising agricultural production in the state, and if the scheme, by making also a significant impact on rural poverty and unemployment, reduces the drift from the rural areas to the cities to get employment. The Kerala scheme on the other hand does not guarantee any employment and is industry-oriented and intended to encourage development of small yet sophisticated and modernised industries in the state. Setting up industrial estates in every panchayat area should also achieve the objective of promoting employment and check the drift from the rural areas to urban growth centres. Both the schemes are well intentioned and, if successfully worked, would be a constructive contribution towards the economic development of these two states as well as a serious effort towards solving the urgent problem of rural unemployment and under-employment.

mpact of company deposits regulation

J.V. Prabhakara Rao &
C.S. Venkata Ratnam

SITS WITH trading and manufacturing anies have come into prominence in t years. Such deposits have been litional source of finance in India but recently their growth has been con- able. The deposits with companies risen from a meagre sum of Rs 136 s in 1962 to a staggering figure of y 1,200 crores by 1975 (budget ate). The two notifications issued by Reserve Bank on December 21, 1971, g with the recent notification dated uary 3, 1975 (rules regarding accep- e of deposits by non-banking and non- cial companies), had the effect of icting deposits from the public to 40 cent of the paid-up capital and reser- of a company from the original 50 per .

owable expenditure

itherto 100 per cent interest paid on lic deposits is allowed as an allowable enditure while computing profits from ness. But the 1975-76 financial budget posed to allow only 85 per cent of inte- paid on public deposits as an allow- e expenditure. All these measures e taken to prevent companies from rting to public deposits. This article mines the impact of these measures.

he aim of the first measure (i.e., re- ing the maximum limit from 50 per t to 40 per cent) is to fix a reasonable ree of link between the repayment ca- ility of the company and its financial ngth . This is mostly intended to safe- rd the interests of the depositors. It come in the wake of the recent failure of a number of companies to meet their obligations. The activities of the companies which have invited public deposits have been causing concern in recent times thus posing threat to the interest of the depositors.

RBI regulation

The Reserve Bank intends to regulate the deposits since the freedom from statutory restrictions on acceptance of deposits from the public has proved fatal to the interest of the thousands of the savers, a majority of whom comes the from middle class. The deputy minister of Finance stated in parliament (*Economic Times* news item dated February 18, 1975) that complaints have been received by the Reserve Bank about the non-payment of deposits or interest in respect of 27 companies which include certain reputed companies. The minister helplessly admitted that in respect of irregularities in the above cases Reserve Bank had reported that transactions of deposits were in the nature of contract between companies and the individual depositors. As such, the affected parties had to pursue the normal remedies open to them in cases of breach of contract, and the bank cannot protect the depositors as in the case of commercial banks.

This itself shows even now the new proposals do not give complete control to Reserve Bank in eliminating risk. Even the stipulation of making an advertisement about the financial position of the company during the three years preceding the year of issuance of the advertisement in the newspapers before inviting deposits from the public had not deterred effectively the inflow of deposits into the companies. As a matter of fact, the rule of 'Caveat Emptor' applies to the depositors too and to say that one is an unsuspecting depositor is no excuse. But it can be tolerated if the object is limited to the extent of safeguarding the interests of depositors. But as we can see from the statement made by the minister the main motive is to reduce the net credit to companies from public deposits. This should be viewed with great concern especially in view of the stringent credit squeeze policy adopted by the Reserve Bank in recent months.

palpable motive

The motive behind the second measure is palpable. Its purpose is mainly to make the public deposit borrowing costlier to companies. The Finance minister affirmed that while granting further credit facilities by banks to these companies the amount of public deposits borrowed by them will be taken into account.

As a result of the second measure, the expenditure will go up by 7½ per cent in gross terms in view of the proposal to allow only 85 per cent of such interest expenditure for tax purposes . But the dear money policy followed by Reserve Bank coupled with easy access to public deposits at lower rates of interest have forced companies to resort to this type of financing. Bank credit has expanded by only Rs 586 crores during the busy season, 1974-75, as compared to Rs 669 crores

during the last busy season, 1973-74. Similarly the seasonal expansion of credit to commercial sector amounts to Rs 393 crores as against Rs 521 crores in the corresponding period during the busy season in the previous year. Probably the shortfall has been made good by public deposits. That big business houses like Tatas, Mafatlal, DCM, Bombay Dyeing have to solicit deposits by public advertisements explains the dire need for finance and how small units are struggling to survive and avoid large scale collapse owing to paucity of funds.

rate offered

The rate offered to the depositors by the companies is higher than that offered by the banks. Yet, the cost of deposits to the company is less than what it would have paid to a bank. Companies have been resorting to large-scale borrowings from the public because bank advances attract about 16 per cent interest whereas public deposits can be had for about 12 per cent interest rate. Moreover the availability and volume of bank credit are restricted by considerations of priorities, margins, security offered etc., whereas the credit available to companies through deposits is not hampered by such considerations. These deposits are available for longer duration than bank credit. Even after taking into account the recent measure of not allowing 15 per cent interest expenditure on public deposits as allowable expenditure for tax purposes, the public deposits would still be cheaper. At 50 per cent tax, the effective cost of 12 per cent interest on public deposits to a company is 13.80 per cent. This percentage is worked out in table alongside.

Another recent modification in the regulations says that it is not only deposits invited or caused to be invited but also deposits accepted that are covered in the definition. Hence deposits can be accepted only after duly advertising in the newspapers regarding profits of the company for the three financial years, preceding the year of acceptance of deposits, arrived at before and after making provision for taxation, dividends declared in respect of the said years, etc. Prior to this there are many fortunate small companies which received and accepted deposits without resorting to any invitation or propaganda. If the present rule in strictly followed then all such small companies which accept deposits without invitation will be reqired to issue advertisements in the newspapers irrespective of their capacity and size, which is a very costly affair. After all the information so published is also given to prospective depositors along with applications. If the Reserve Bank can also underwrite and insure public deposits in public companies, one could understand the relevance of compulsory advertisements. But it is not so.

Furthermore, old deposits cannot be renewed unless these deposits comply with the new requirements. Similarly complying with the requirement of reducing the total amount of deposits to 40 per cent of its paid-up capital and reserves will cause a serious drain on the financial resources of such companies.

When the need of the hour is to increase the tempo of industrial activity, which calls for additional resources to pull the economy out of stagnation, this measure is a retrograde step which impedes industrial growth.

advertisement gimmicks

Even the nationalised banks have in their anxiety to maintain the pace of deposit growth resorted to advertisement gimmicks like offering 31.5 per cent interest rate (Indian Bank, Indian Overseas Bank etc., have issued such advertisements) even though they know fully well that they cannot offer more than 10 per cent interest rate on long-term deposits as per the directives of the Reserve Bank. Hence it would not be surprising if companies secure public deposits by false promises. For a common investor or medium saver a reputed public company like Tata Iron and Steel Company is as good as a tionalised bank. The higher interest offered by these companies will al attract the medium savers. If restric are imposed on these companies wit making alternative arrangements to c nel these savings into the banking se it will only lead to unproductive in ments like jewellery, land, building or the surplus money will be used for c picious consumption purposes.

attractive proposition

The persistent inflationary condit which have been continuously eroding real value of savings and the failu the banks to offer attractive interest as an alternative to public deposits make these unproductive investment consumption more attractive.

Today, there is dire need to b savings; not to discourage it. Inv ment has to be stepped up and not tailed. The present regulations affec company deposits are stumbling block this regard. The government would do to scrap or liberalise these regulations take immediate steps to:

(a) raise the interest rate of bank make it more attractive to savers, sa least to 12 per cent;

(b) cover companies' public depo also through deposits insurance sch to protect the interests of the s depositors; and

(c) formulate a positive and purpos marketing strategy to attract m deposits into the banks.

Comparative Results of Borrowings from Public and Banks

(Rs in '000)

		Borrowings from	
		Public	Ban
(i)	Profit before interest	1,00,00	1,00,
(ii)	Less interest on public deposit at 12% on say Rs 100 lakhs	(12,00)	
(iii)	Less interest on bank borrowings at 13.80% on Rs 100 lakhs		(13,
(iv)	Profit after interest	88,00	86,
(v)	Add disallowance of 15 per cent of interest on public deposits	1,80	
(vi)	Income subject to tax	89,80	86
(vii)	Tax at 50 per cent	44,90	43
(viii)	Net Income (iv)—(vii)	43,10	43

Source: *The Economic Times*, March 16, 19

Changing scene in the Middle East

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

Lebanon

Present situation: Buoyant economic vity with a high rate of inflation.

Outlook: Despite the recent anti-tionary measures introduced by the tral Bank and the easing of domestic nand, inflation is likely to continue nly because of the influx of money n nearly Arab states.

Government: President of the Re-lic: Suleman Franjieh.

Exchange rate: Leb£5,325=£1. =US.$2.3295)

Unlike most of its immediate neigh-urs Lebanon is not an oil-producing intry. Nevertheless, the economy has ays been one of the most thriving in e Middle East. because of its role as financial link between most of the st growing oil producing nations in e area and the rest of the world. This le has been particularly suitable for e Lebanon because of its relatively able political situation despite the raeli raids into the country.

Lebanon's raging inflation is the ost serious problem. Prices have risen much that most foreign firms in eirut have become increasingly alarmed the cost of living, especially of hous-ng and rents. Although the consumer rice index officially rose by a mere 01 per cent during 1973, this rise does ot for example reflect the increases rents and education costs. Food pro-ucts such as eggs and vegetables were so effected, showing price increases of up to 25 and 18 per cent respectively. In the first six months of 1974, the con-sumer price index showed a further in-crease of 6.2 per cent.

Lebanese industry has done surpri-singly well over the last two years. In 1973, investment in industrial points reached Leb£2,000 million, of which about 26 per cent went mainly into two sectors, food processing and the extrac-tion of non-ferrous minerals. Other industries in order of importance are chemical and metal manufacture: the production of transport equipment; printing and petroleum refining. The value of production in 1973 was quoted as Leb£2,150 million and a labour force of 120,000 was employed. The industrial boom continued throughout 1974, during the first six months of which 178 permits for new factories were granted by the ministry of Industry and Petroleum.

The agricultural sector employees about 20 per cent of the working force of the country and accounts for 10 per cent of GNP. The main agricultural pro-ducts are fruit and vegetables which traditionally constitute the bulk of ex-ports. The only significant form of livestock is poultry farming, which has increased rapidly in the last few years. About a quarter of the cultivated 270,00 hectares is irrigated at present, but a World Bank loan of $ 50 million will make it possible to irrigate an additio-nal 20,200 hectares in the Southern Bekaa valley.

The Lebanese economy has tradi-tionally relied heavily on the service industries for the national income. Estimates suggest that the revenue from services comprises two-thirds of the na-tional income. Naturally, the sensitivity of such a sector to political instability has made it particularly difficult for the economy in recent years.

After a relatively slow start at the beginning of 1974, tourism picked up. A 20 per cent increase in foreign visitors was recorded in the 1974 tourist season with an 18 per cent improvement in hotel trade. The National Tourism Council estimates that visitors from Arab coun-tries contribute 65 per cent of its current revenue (up to 20 per cent of the national income).

better communication

Various projects to improve the transport network and communications with the outside world, particularly with nearby Arab countries, have been under-taken. A new motorway from Beirut to the Syrian border is considered to be one of the most important in the next decade; the cost, at Leb£700 million will be financed by Arab oil states. The national airline, Middle East Airlines, has recently purchased three Boeing 747-200B Jumbo jets. The cost of these wide-bodied planes, $120 million, is being financed by the US and other foreign banks, by the Private Export Fund Cor-poration of the United States and by Middle East Airlines.

Lebanon's telecommunications require-ments exceed available facilities. To improve communications with western Europe, a new antenna is to be added to the satellite tracking station at Arbanieh and a project for a 480 circuit to Cyprus (to link up with Greece) is under study The internal telephone network is over-loaded and the ministry of Posts and Telecommunications is to install 180,000 new lines and 25 exchanges in the near future. Telex communications are rela-tively efficient: 2,500 new circuits are expected in the next five years.

The influx of money into Lebanon in the last two years, mainly as a result of the increase in oil revenues of nearby Arab states, has had the expected

inflationary consequences. Since the beginning of 1972 the external reserves of the Central Bank has almost doubled and in 1973 the volume of domestic loans increased by 43 per cent or by more than the five years put together.

The Central Bank has introduced measures to limit the inflationary nature of the increase in bank lending. The level of compulsory reserves was raised in September 1972, from five per cent to seven per cent. In June, 1973, the Central Bank discontinued all intervention on the foreign exchange market. In June 1974, the rediscount rate was raised from five per cent to seven per cent while interest rate on purchases of pawned bills was raised from 5½ per cent to 7½ per cent. Other measures in 1974 were an increase in the interest rate on overdrafts from seven per cent to nine per cent and a further increase in the legal reserves requirements for banks from seven per cent to eight per cent.

counter measures

The Central Bank also introduced new rules designed to limit the amount of Lebanese currency on the market. Banks in Lebanon were asked not to pay interest to non-residents and to encourage loans in foreign currencies. But despite its undertaking not to interfere with the foreign exchange market, the Central Bank intervened heavily at the end of October, buying about $300 million. As a result, the Lebanese pound derpeciated, substantially with respect to the dollar. However, the latest increase in legal reserve requirements from eight per cent to 10 per cent is expected to act as a counter-measure, reducing the Lebanese currency in circulation by about Leb £170 million.

Lebanon with its 74 commercial banks is the banking centre of the Middle East. The increase in the money supply was reflected in the banks' assets which rose at a monthly rate of Leb£140 million during the first eight months of 1974, Leb£20 million per month more than in the previous year. The enormous amount of funds channelled through Lebanon's banks has prompted an increasing number of foreign banks to establish themselves in Beirut.

Since its foundation less than two years ago the National Bank for the Development of Industry and Tourism has made loans totalling Leb £29,745,000; industry received about two-thirds of this and the rest was allocated to tourism. The budget in Lebanon includes most of the government's current and capital expenditure. In 1973, direct taxes contributed about a quarter of revenues while indirect taxes totalled 38 per cent of revenues. Attempts to increase taxes have always been fiercely opposed and tax evasion is high. Expenditure for the 1974 bndget is expected to total Leb £1,385.3 million, a rise of 15.6 per cent compared to 1973. Much of the increase in expenditure is blamed on the government's policy of subsidising food prices.

A sizeable balance of trade deficit has traditionally been offset by a surplus on invisible and capital accounts. The deficit arises from Lebanon's massive imports, of which only half were covered by exports in 1973. Exports, which until recently have mainly been agricultural products, are increasingly manufactured goods; thus, industrial exports more than doubled in value during the first half of 1974 to Leb £396 million compared with Leb £184 million during the first half of 1973. Lebanon's exports go mainly to Arab countries, in particular Saudi Arabia, Kuwait, Syria and Iraq.

Lebanon: Value of Trade
(in millions of Leb£)

	Exports	Imports	Balance
1967	368	1,320	— 954
1970	602	1,704	—1,102
1971	781	2,015	—1,234
1970-71*	738	1,906	—1,168
1971-72*	989	2,298	—1,309

* October-September

The main source of Lebanese imports is the European Community followed by the United States. The United Kingdom provides 11 per cent of Lebanon's imports and receives four per cent of the country's total exports. Despite the large increase in industrial sxports, the deficit on the balance of trade remains substantial.

II

Syria

Present situations: A relatively high rate of economic development despite increasing defence expenditure. Some progress is being made in the liberalisation of the economic and political spheres.

Outlook : Economic growth is subject to the continuation of peaceful conditions in the region.

Population : 6.89 million (mid-1973 estimate).

Government : Head of State : President Hafiz Ali Assad.

Exchange rate : Syr£8.45=£1 (£1=US $2.3460).

Syria's politics have seen a series of unstable regimes each attempting to[...] rect the alleged mistakes committe[...] the previous one.

President Hafiz Ali Assad, electe[...] February, 1971, has introduced new [...] cies of moderation and coopera[...] especially with other Arab states, an[...] ended the isolationist policies of pre[...] regimes.

When the war with Israel broke [...] in October, 1973, the country had [...] rienced almost three years of poli[...] continuity and was on the road to an[...] precedented economic stability. The [...] astating effect of Israeli bombardme[...] the port of Latakia and the oil term[...] at Banias and Tartous as well as the [...] truction of the country's only oil refi[...] in Homs brought the economy to a [...] tual standstill. However, gradual reb[...] ing is being undertaken with the hel[...] Arab oil nations. Moreover, the [...] association with Egypt during the wa[...] more or less continuing and is parti[...] arly reflected in a growing liberalisa[...] of the economy, especially vis-a-vis [...] western world.

Syria among the Arab countries [...] the greatest agricultural potential but [...] political instability and the land ref[...] laws of 1958-59 have made farmers re[...] tant to increase investment in land. [...] sector at present provides about [...] third of national income and employ[...] per cent of the working force.

reduced production

The most valuable crop is cott[...] which is 45 per cent of total exports. [...] drop in cotton output was reported [...] 1973-74 when it totalled 375,000 t[...] compared with 418,886 tons in 1972[...] A further decline is forcast fot 1974-7[...]

The size of the cereal harvest depe[...] on the rainfall, so that in 1970 the co[...] try had to import a large amount of gr[...] to satisfy its needs, while in 1972 expo[...] of cereals totalled about one mill[...] tons.

Other agricultural products incl[...] tobacco, sugar beet, maize vegetab[...] olives and fruits.

The Third Five-Year Plan (1971-[...] allocates 34.8 per cent of investment[...] agriculture. The major project is [...] Euphrates dam which is expected [...] irrigate an additional 640,000 hectares [...] the next decade. A smaller dam, to [...] built by the Soviet Union on the Nahr [...] Kabir, is expected to irrigate 124,000 h[...] tares by the end of 1979. To impro[...] the livestock industry the governme[...]

greed with a Canadian concern to 16 cattle farms at a cost of Syr million. An agreement with Bul- to establish a poultry farm will further Syr £105 million.

ria's industrial sector has been ing steadily over the last two decades as gradually replaced agriculture as ain contributor to national income.

extiles have traditionally constituted most important industrial product. r industries include: cement plants; refining; canning, food processing; able oil extraction; soap; matches; and plastics. Industrial production valued at Syr £901,920 in 1973 com- d with Syr £783,629 in the previous . However, these figures cover the al stoppage of the Syrian industry ght about in October, 1973, by the in Israel: most of the $1,800 million suffered in the war occurred in the strial sector. Although the most vital nstruction has been carried out, com- recovery depends on the amount of received from Arab oil states.

ards west

Syria's new policy of "opening" to- ds the west is reflected in several new istrial projects; these include a £13 ion contract for British firm to supply mplete cotton yarn spinning plant of 00 spindles togrther with textile chinery (the finance for which is ex- ted to be a gift from the United Arab irates). In addition, another British has obtained a £2 million contract the supply of electrical and mechani- equipment to the Union of Textile ustries.

A particularly fast-growing sector is osphate production: output from the ee principal mines was expected to ch one million in 1974. Romanian co- eration in this field will help to build riple super-phosphate factory at Homs the production of 450,000 tons of tiliser and derivatives.

Oil production in Syria, although not nificant when compared with other oil- oducing nations in the area, is of pri- ary importance to the economy.

Estimates of revenue from oil exports r the first three quarters of 1973 were r £190 million, but, with the recent in- eases in oil prices. this is expected to ach Syr £400 million in 1974. A similar nount should result from the role Syria as a transit country for aqi and Saudi Arabian oil. Petroleum erivatives are produced in the Homs efinery, which has a 2.7 million tons annual capacity. The refinery. demaged during the war, is to be reconstructed with the aid of a Czechoslovak company which will supply equipment worth some £14 million. The refinery should now be back to normal. In addition, plans for new facilities are expected to expand the refinery's capacity by 1,700,000 tons annually. Projects for two more refineries are under study: the first is to be built at Banias with Rumanian cooperation and a $90 million loan from Japan will help finance the construction of the second refinery in the Banias/Tartous area.

Three major motorway projects to link Damascus with Beirut, Amman and Tahwida A Bkaia are being considered.

railway network

The railway network is also being extended. A team of Soviet engineers is working on the line linking Latakia and Qamishi through Aleppo, while another Soviet team which started work in August, 1974, is building a 208 kilometre line betbeen Damascus and Homs. A third railway to be built by the Soviet Union will link the phosphate deposits near Palmyra with the coast.

The completion of civil engineering works for the new Latakia airport has finally been made possible through a decree adding Syr£29.6 million to funds set aside for the project, while a contract estimated at Syr£1 million was obtained by a French firm in September to extend the Airport at Aleppo to accomodate international flights.

A state company to be established in Damascus with the help of France will manufacture advanced telephone equipment under French licence. Following an initial purchase of equipment worth £6.7 million, the number of telephones is expected to increase by 30,000 to 150,000.

Tourism, neglected in previous years, was given a new boost in 1972 with the establishment of a ministry of Tourism. A report envisages 150,000 new hotel beds over the next 15 years, at a cost of over $82 million. Moreover, a French company has conducted a major study of Syria's tourist potential and prepared a long-term plan up to 1990 to develop tourism.

The 1975 budget has been set at Syr £10,400 million compared with Syr£6,480 million for 1974, which was considered a very large figure at the time.

The largest increase in expenditure is for defence, which takes a quarter of the budget; other increases are for industry, agriculture, education, health and local administration. Syria's Central Bank foreign reserves stood at $478 million at the end of 1973 compared with $135 million in 1972, an increase of 250 per cent. By July, 1974, the foreign reserves had increased to $ 779 million.

rise in exports

Raw cotton is Syria's principal export commodity. Other major exports are oil, cereals (depending on the weather), live animals, textiles and phosphates (since 1972). A 22 per cent rise in export earnings was recorded in 1973 compared with 1972. The increase was largely due to the increase in cotton prices in 1973, as the volume of cotton exports rose only by 2.5 per cent. Sales of cotton fibre at Syr£ 448.3 million represented over a third of total export revenue in 1973 and earnings from crude oil totalled Syr£291.2 million.

Imports are mainly industrial raw materials, machinery, manufactures, chemicals and electrical equipment. Italy, West Germany, the Soviet Union, Lebanon, Japan, France and the United Kingdom are Syria's main suppliers. Most exports go to the Soviet Union, Lebanon and Italy. Trade with the Soviet Union doubled in 1974, to a value of £120 million (excluding military supplies). Syrian exports to the United Kingdom increased markedly in the year ended June, 1974, accounting for four per cent of total exports compared with 0.6 per cent in 1973. Imports from the United Kingdom decreased slightly from six per cent to five per cent during the same period. Despite the recent increases in oil prices, Syria's balance of trade deteriorated substantially during the 12 months ending June, 1974, because of the decline in oil exports caused by the war with Israel in October, 1973.

Syria: Value of Trade

(Syr £million)

	Exports	Imports	Balance
1967	591.3	934.4	—343.1
1972	1,097.5	1,908.0	—810.5
1973	1,341.0	2,168.5	—827.5
1972-73 (July-June)	1,238.2	1,923.6	—685.4
1973-74 (July-June)	2,313.8	3,171.1	—857.3

A Five-year Foreign Trade Plan (1971-75) to promote exports of manufactured goods and reduce imports of non-essen-

tials is slowly being underminded by recent measures to relax export controls.

III

Jordan

Present situation: The economy has recovered from the setbacks caused by a substantial drop in agricultural production in 1973.

Outlook: Much depends on political developments and on continued external financial assistance.

Population: 2.56 million (estimate).

Head of State: H. M. King Hussein Ibn Talal

Exchange rate: 0.74 Dinars=£1 (£1=US $ 2.35).

The decision of the Arab leaders in Rabat in October to recognise the Palestine Liberation Organisation (PLO) as 'the sole legitimate representative of the Palestine people' has major implications, both for the political situation in the Middle East and for Jordan in particular, because Jordan has a large Palestinian population who make a substantial contribution to the economy. To 'give meaning' to the Rabat decision, King Hussein announced that the 800,000 Palestinians on the East Bank would be offered the choice between Jordanian and Palestinian citizenship. Various constitutional changes have also taken place, notably the dissolution of Parliament and a marked reduction in Palestinian representation in the cabinet and the senate.

The Three-Year Development Plan (1973-75) aims at achieving an annual real growth rate of eight per cent. However, according to preliminary estimates, GDP increased by only three per cent in 1973 to JD 230 million. Moreover, allowing for inflation, real output declined by some seven per cent on the 1972 level. This unsatisfactory performance was largely because of the substantial drop in agricultural production following drought and frosts. In contrast, 1974 saw considerable improvements particularly in the agricultural, mining and export sectors, although there was also an acceleration in inflation, from 10 per cent in 1973 to over 18 per cent in the 12 months to September 1974.

Agriculture is one of the most important sectors and supports three-quarters of the settled population. Israeli occupation of the West Bank territory in 1967 caused a substantial loss of productive farming land. Following bad weather, agricultural income fell by almost one-third in 1973 to JD29 million. Field crops were the most severely hit, wheat production falling by 76 per cent to 50,400 tons. Other crops were also badly affected; for example tomato production fell by 46 per cent to 83,100 tons and fruit production by 32 per cent to 104,000 tons. Because of food shortages, more than JD 7 million was spent on imports of wheat and flour in 1973, including purchases from the United States, Syria and the EEC, However, more favourable weather in 1974 led to a substantial increase in wheat production, and by the end of June output was estimated at 225,000 tons which represented over 60 per cent of the year's domestic consumption.

The main focus of current agricultural development is the JD 32 million Jordan Valley Development Scheme, intended to extend the irrigation areas, resettle 137,000 people and establish 38 new villages.

foreign aid

Many foreign interests are providing funds for irrigation and construction projects, including the World Bank, the Kuwait and Abu Dhabi Funds for Arab Economic Development, and the United States. The 3,000 acre farm at Qasr Halabat is a major agricultural showpiece; crop grown in this irrigated former desert area include cotton and alfalfa.

Industrial production increased by 10 per cent in 1973, and by a further eight per cent in the first seven months of 1974. This sector is of relatively recent origin and accounts for 10 per cent of GNP. Industry is generally small-scale; the majority of factories produce food and clothing. However, the bulk of industrial income is derived from the three heavy industries of phosphate mining, cement production aud petroleum refining.

Although Jordan accounts for only one per cent of world phosphate production, this mineral is of major importance as a source of foreign exchange. Production is centered on the Hassa and Ruseifa mines, with reserves estimated at 1,000 million tons. Output declined in 1970 and 1971 but since then there has been a recovery, and in 1973 production increased by 53 per cent to 1.08 million tons by the installation of new mining equipment to meet growing overseas demand. A further substantial expansion took place in the first nine months of 1974 when 1.24 million tons were produced. A rail link with the port of Aqaba is under construction which will greatly reduce transport costs. In addition, port facilities are being expanded to increase th port capacity, and the likely re-op of the Suez Canal in the near f could lead to a growth of export west and east European countries. sequently, it is hoped that phosphat ports will reach five million tons in Some 55 million tons of copper and million tons of manganese ore have discovered in the Wadi Araba regi southern Jordan, and studies are made to develop these, and other, r ral resources.

The petroleum industry refines ported crude oil, and although no mercial discoveries have so far been in Jordan itself the government rem hopeful.

The production of petroleum proc increased by 12 per cent in 197 675,300 tons, and in the first nine mo of 1974 output totalled 534,700 tons, increase of a further 12 per cent 1973. In June, the construction c pipeline was announced to divert S Arabian crude oil from the Trans bian Pipeline (which carries oil to Mediterranean coast) to the Jorda refinery at Zarqa. The capacity of refinery is also to be increased f 780,000 tons to 2.9 million tons a ye

lag in cement

The cement industry has not fare well as other major industries; cement duction fell by seven per cent in 197 6.6,800 tons, and by a further 10 per in the first nine months of 1974 compa with 1973. Other industrial products ma factured in Jordan include paper, wood, teries and detergents. Attempts are be made to encourage diversification and new industrial companies were registe in 1973 with a total capital exceed JD 2 million. These will produce a w variety of goods, including plast building materials and consumer durab In addition, the World Bank is provid part of the finance for a ceramics fact north of Amman.

Negotiations have taken place w firms from France, Britain and the Uni States concerning the construction o US $120 million fertiliser complex, include a phosphoric acid plant with initial annual production capacity 200,000 tons.

Construction activity, both in the p vate and the public sectors, continu to expand in 1973, although at a slow rate than in 1972.

Tourism has been affected by t political situation; in 1973 the number

n visitors was 268,200 i.e. eight per ess than 1972 because of the substan- ecline in October following the rene- outbreak of hostilities in the Middle However, in the 11 months No- er 1973—September 1974 the num- of visitors recovered to 320,100. an and Aqaba are the main centres tel construction and some JD7 mil- has been allocated to expand tourist mmodation. In addition, West Ger- is assisting with the constructlon of w international airport south of nan.

1973, the budget deficit was JD million. Government expenditure led JD114.7 million, of which defence public security comprised the largest e item at JD 47 million. Less than of government revenues came from estic sources, indirect taxation being main method of raising local funds. 1974 budget provided for a substan- increase in government expenditure D 165.6 million, of which only 34 cent was to be met by internal means.

vy dependence

Thus Jordan remains heavily depen- on outside financial assistance.

n 1973, the total foreign receipts of government amounted to JD 57.3 ion of which JD 44.7 million were get support from the United States Arab nations, particularly Saudi bia, and JD 11.2 million comprised elopment loans. Economic and tech- l assistance, together with loans m the IMF, made up the balance. al foreign receipts in the first half of 4 were JD 23.3 million, approximately per cent less than in the previous six- nths. However, this substantial dec- was largely because the first instal- nt of United States' budget support 1974 did not arrive until August. al American non-military aid for the sent fiscal year is estimated at US $78 lion and, consequently, the foreign re- ot position should improve.

The main sources of development ns are West Germany, the United tes, the United Kingdom, the World nk and Arab nations.

Since the 1973 October war, Kuwait resumed payment of its annual sub- y of JD 14 million, and loans from United Arab Emirates, Taiwan and n totalling about US $ 23 million have o been announced. In addition Japan to provide a US $ 10 million loan for ecommunications projects. Reflecting pact of foreign loans, outstanding ernal public debt rose from JD 39.9 llion in 1969 to JD 72 million by the d of June 1974.

Jordan traditionally experiences a sub- ntial balance of trade deficit. In 1973 the value of imports increased by 10 per cent to JD 96.60 million because of higher construction and industrial activity, and the growing volume of food imports. Although the value of exports rose by 23 per cent to JD 20.97 million the trade deficit widened by JD 5 million. However, account taken of foreign loans and

Jordan : Value of Trade :

(in millions of Dinars)

	Imports	Exports	Balance
1967	11.33	49.15	—37.82
1972	17.00	87.27	—70.27
1973	20.97	96.60	—75.63

remittances from abroad, an overall balance of payments surplus of JD 10.25 million was achieved.

In the first six months of 1974 the value of exports increased markedly to JD 24.48 million, thus exceeding the receipts for the whole of the previous year. One major factor behind this rapid expansion was the growing volume, and substantially higher price of phosphate exports, which brought in JD 7.6 million. While imports also increased to JD 65.2 million, the overflow of foreign funds resulted in an overall payments surplus, and by the end of October international reserves stood at US $ 369 million, an increase of US $ 56 million from the beginning of the year.

Besides phosphates, other major exports are vegetables, fruit and cement; the main markets are Syria, Saudi Arabia and other Arab countries. Imports largely consist of foodstuffs, consumer and capital goods. The United States, the United Kingdom (which accounted for 10 per cent of total imports in 1973), West Germany and Syria are major suppliers.

Sources and acknowledgements: The foregoing summarises special reports prepared by Barclays Bank Intelligence Unit (54 Lonbard St. London EC3P:3AH).


PROGRESS IS SHAPED BY THE WAY YOU LOOK AT THINGS
Like the level of competence at which you conduct your manufacturing operations.
Like the definition you give to the term: service to customers.
We, at Carborundum Universal, take ourselves seriously. Just as we take our customers seriously. Nothing but our best efforts to meet their needs. That's how we maintain our leadership in the manufacture of abrasives. Impeccable in quality. Widest in range.
But we look still farther than that. On to the customer's side and offer what we can do to help him achieve predictable and profitable results.
Expert advice on tools and techniques. Help on selection of raw materials. Suggestions to cut down costs and improve quality.
This is service as we see it. Why not call the man from Carborundum Universal? He is eager and qualified to help.
CARBORUNDUM UNIVERSAL LTD.
Manufacturers of Quality Bonded and Coated Abrasives, Abrasive Grains, Calcined Bauxite and Super Refractories
Madras ■ Calcutta ■ Bombay ■ New Delhi
Service-conscious suppliers of basic tools for industry

France's booming electronics industry

French Fifth Plan (1971-1975) had seen an average rate of growth for ectronics industry of 16 per cent.

ll 1972, the rate of growth was nd 13 per cent per year. From ary 1972 to January 1973, France's ver in electronics equipment had by 18 per cent. The total Euro- market is still small when compared at of the United States.

he turnover of the EEC is only 25 per cent of the total market and of France just five to seven per cent. 972 the turnover of some of the im- ant countries was as follows:

	(Billion of francs)
JSA	158.5
apan	58
Vest Germany	23
United Kingdom	17.8
France	14.6

The rate of growth from 1962 to 1972 :

	(per cent)
France	13
United Kingdom	15
West Germany	11
Japan	19
USA	6

In 1973 the turnover of the French tronics industry was 17.3 billion nch francs. The distribution between the e sectors, consumer products, equip- nt and components, is given in Table I.

The growth is not the same for every tor and the key sector so far as France concerned is equipment goods. For past two years the components sector shown a very good rate of growth. far as consumer products are concer- , even with the creation of the third nnel and the progress of colour TV, ance stays far behind West Germany aph I).

During 12 years, from 1960 to 1972. structure on the whole has changed ghtly for components sector and a od deal for equipment goods sector ich has increased its share of the total considerably. The consumer products on the other hand have experienced a shrinkage of their share of the total.

Consumer products sector is thus the weakest point of the French electronics industry.

The achievement of the objection of the French Fifth Plan in 1973 for radio sets (6,960,000 sets) and the stabilization of the rate of growth is mainly due to the great expansion of the auto radios (1.460,000 sets). A lot of imports take place, mainly from Asian countries such as Hong Kong, Formosa and Japan. Tape recorders are the main imports from these countries.

Even if the rate of growth for the production of TV, sets is high, the number of manufactured sets is only half that of the German quantity (black and white TV; 1,593,000 for France, 2,350,000 for W. Germany; Colour TV: 320,000 against 860,000). When compared to the other members of the EEC, the rate of growth is regular and does not fluctuate very much (18—20 per cent a year).

As far as imports are concerned (eg

Graph II

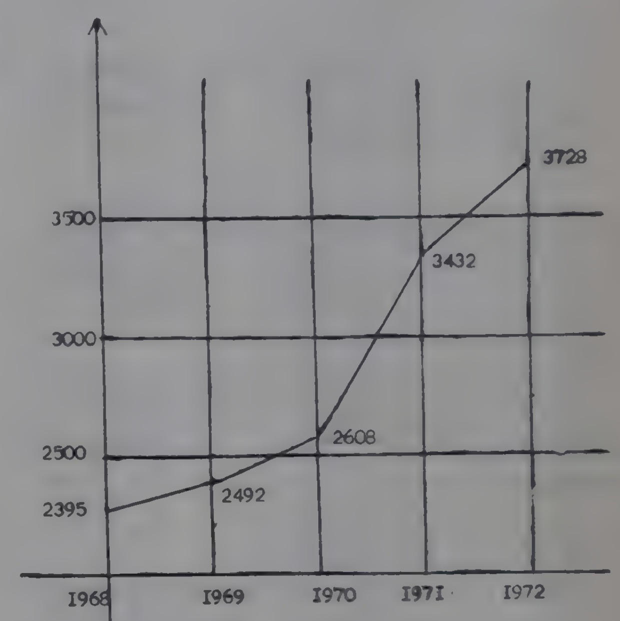


TABLE I

Turnover of French Industry—Sectorwise

	1972	1973	1974 Estimates	Rate of growth 72—73 (per cent)
	(in millions of francs)			
1. Consumer Products				
Radio sets	1807	2200		+22
Television sets				
Others	260	480		+ 5
Total	2267	2680	3050	+18
2. Equipment Goods				
Professional equipment	3728	4300		+15
Others (computers, industrial process control and regulation equipment, electronic measuring devices)	4200	4890		+16,4
Total	7928	9190	10,400	+15,9
3. Components				
Electronic tubes	783	770		+47
Semi-conductors	701	1030		+47
Passive components	1712	2225		+30
Fixed capacitors	277	360		+30
Others	900	1035		+15
Total	4373	5420	6150	+24
Total	14,598	17,290	19,600	+18.7

radio sets and tape recorders from Singapore and Hong Kong), their quality being not up to the mark, people still choose European sets when it comes to buy durable goods. One of the reasons of the negative trade balance for the consumer products is that commercial networks abroad are not well developed.

The industry is concentrated in a few hands, three groups, Philips, Radio Technique and Thomson Brandt contributing 80 per cent of the total sales.

The turnover of the equipments sector is 80 per cent of the total turnover of the industry. This branch can be divided into two parts:

—professional equipment (telecommunications, detection, aeronautics, instrumentation);

—other equipment goods (computers and peripherals; industrial process control and regulation equipment, electronic measuring devides).

The professional equipment sector is an important segment of the industry and its rate of growth is regular (around 15 per cent a year)

biggest outlet

In W. Germany, this sector is only eight per cent of the indnstry whereas in France it is 25.6 per cent. This sector is the biggest outlet for the components (30 per cent of the market). If France takes fifth place in the world market of electronics, in this sector it ranks second (Graph II, III and IV).

The distribution of the turnover of the different activities of the sector is as given below.

	(per cent)
Telecommunications	25.3
Radio and TV	6.8
Detection	27.3
Navigation aids	8-1
Industrial applications	6.9
Instrumentation	5.3
Measure	2.4
Others	17.9

Telecomunications and Detection are the two important segments. For the first, thanks to their big orders and also their exports, the French Posts and Telegraphs have considerably helped in development. The leading companies are CGE (Cit Alcatel) which has developed the electronic commutation system known as temporal commutation, and Thomson CSF TRT. G3S for its microwave links. The French manufacturers have 41 per cent of the French market in the field of

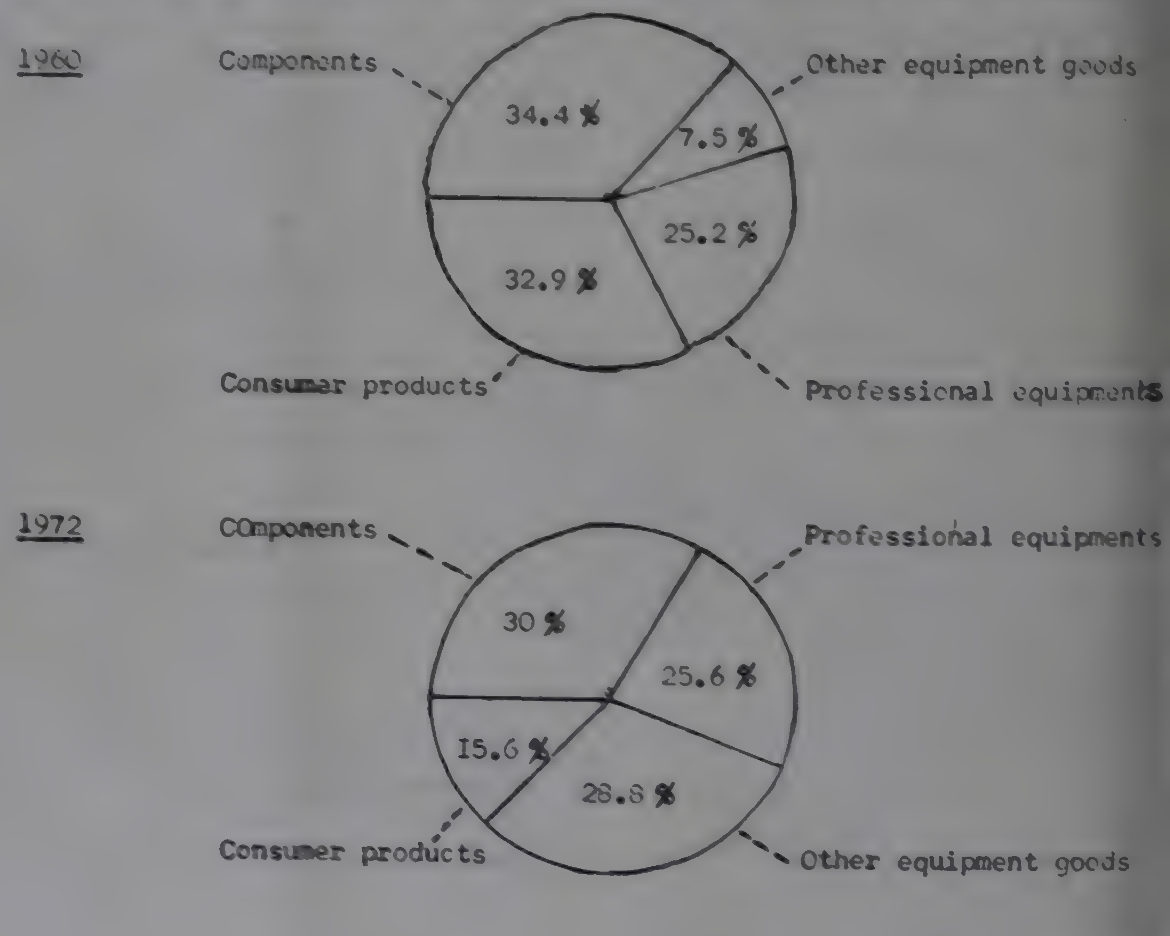
TABLE II

Number of Systems in France

Year	Small	Medium	Large	Tota
1966	577	803	75	145
1967	966	951	80	1997
1968	1551	1266	100	2917
1969	2225	1381	125	3731
1970	2659	1548	158	4365
1971	3584	1663	220	5467
1972	4115	1696	288	6099

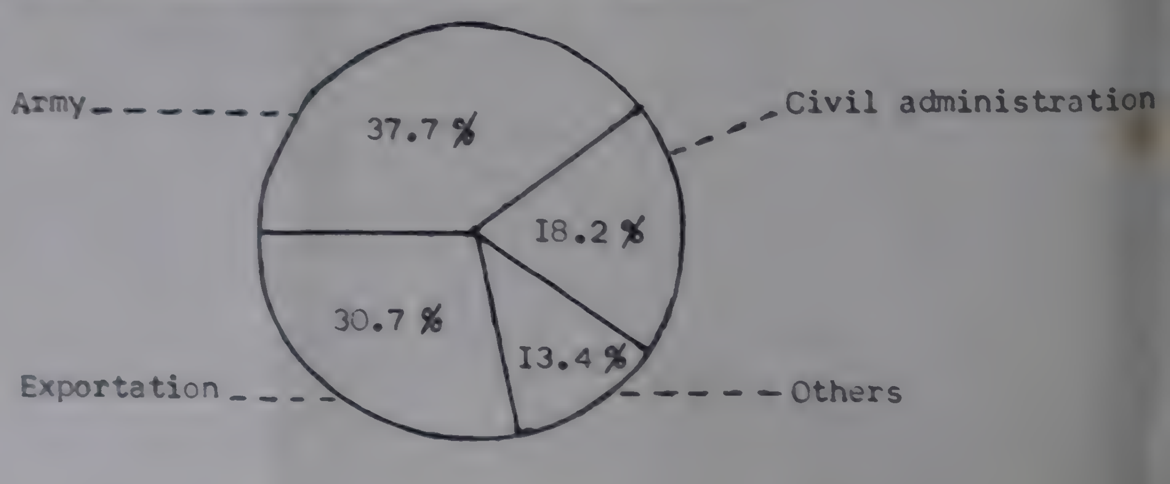
Grap

DISTRIBUTION OF THE TURNOVER FOR THE DIFFERENT SECTORS IN THE INDUSTRY



Graph

Distribution of the turnover by customers



utation and 75 per cent for micro-
links. Some important groups and
activities are listed below.

:. (CIT ATEL)	Commutation, transmission cables
SAT-SAGEM)	Transmission, mic-
ison C.S.F.	rowave links microwave links equipment (radars)
SSON (France)	Commutation
and OMERA	Transmission, mic-
ID (Philips)	rowave links equipment
(CCT LMT-:T)	Commutation
Generale de iologie	Medical equipment
tronique M. sault	Equipment
rtechnique	Medical equipment, instrumentation

hnological leader

In the field of detection and aeronau-
l equipment, the French industry is
chnological leader. Best results have
n obtained in 1971-1972 in these sec-
s, The percentage of exports is the
hest in the industry (31 per cent). As
as radars are concerned, Thomson-
F offers the widest range in the world.
1972, this firm signed an agreement
h Brazil to build a traffic control sys-
ı (known as DACTA) in Brazilian air-
rts. In the field of instrumentation,
Schlumberger is a leader in Europe'
part of American companies is still
ostantial, but with the special plan na-
ely "Plan Mesure" prepared by the
vernment, this situation can be altered
the years to come.

Aa for computers and peripherals, in
66 France decided to put forward the
'lan Calcul", Since its inception, this
tor has shown an average rate of grow-
of 25 per cent a year. The growth of
II alone was 28 per cent from 1971 to
72. Small and medium scale industries
anufacture these goods to quality stan-
rds which are competitive in the world
arket. In the field of peripherals, Loga-
ıx, Sintra and Sagem systems are well
hown all over the world. For software,
rance holds a prominent place and the

TABLE III

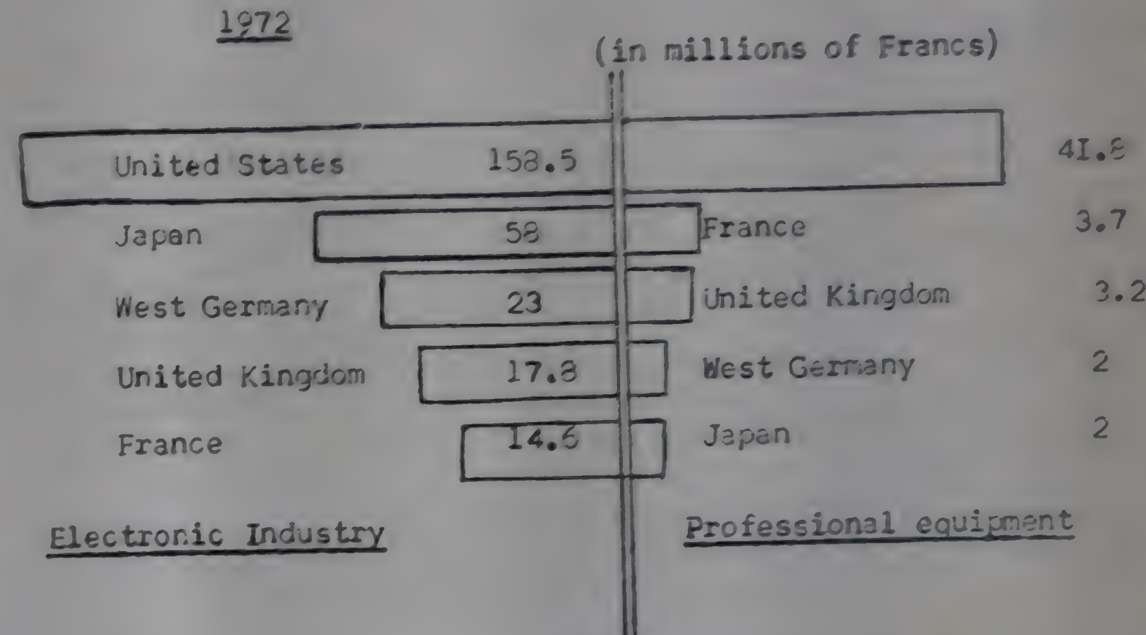
Turnover of Components in the World (1971)

(In million of francs)

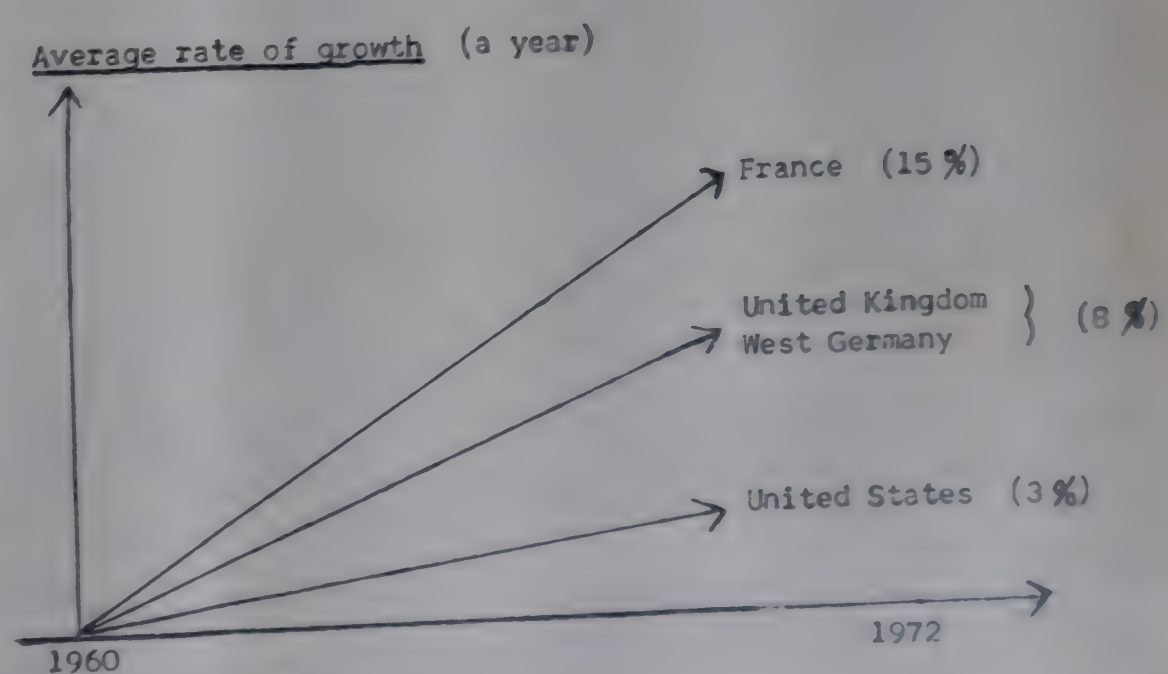
Countries	Tubes	Semi-conductors	Passive components and others	Tota
USA	5485	5775	12.360	23.62(
Japan	2425	2800	5860	11.08:
West Germany	975	636.8	3539.2	5.15:
United Kingdom	4020	528	2508	4.08(
France	654	506	2466	3.676

Graph III

Turnover of the industry and of the sector of professional equipment in the world



Rate of Growth (1960-1972)



company SEMA is one of the leading firms in Europe.

American companies are still strong and competitive. These firms are thinking more and more in terms of Europe and in 1972 CII signed an agreement with Siemens. (Table II)

In 1970, the progress of the large systems was 39 per cent and 35 per cent for the small ones.

From many points of view, the French electronics components industry presents outstanding characteristics, high technology expertise, and considerable growth. The turnover of this sector in 1973 was over four billion French francs. (Table III)

the foreign trade

Every sector has its own trend of foreign trade and, in 1973, for the industry, even with the high rate of growth, the balance of trade was negative. This was due mostly to a large increase in indigenous demand. In 1973 the rate of growth of imports was 27 per cent and that of exports 15 per cent. The components industry is concentrated in two companies: RTC (merger Radiotechnique, CGE, Philips) and THOMSON CSF (SESCO and COSEM....SESCOSEM LCC and CICE....ICC CICE OREGA and CIFTE. In the field of passive components many of the medium-size firms hold a good position in the European market and present a high level of quality. Since 1972 this sector has been continuously expanding and has achieved an increasing share of the export market.

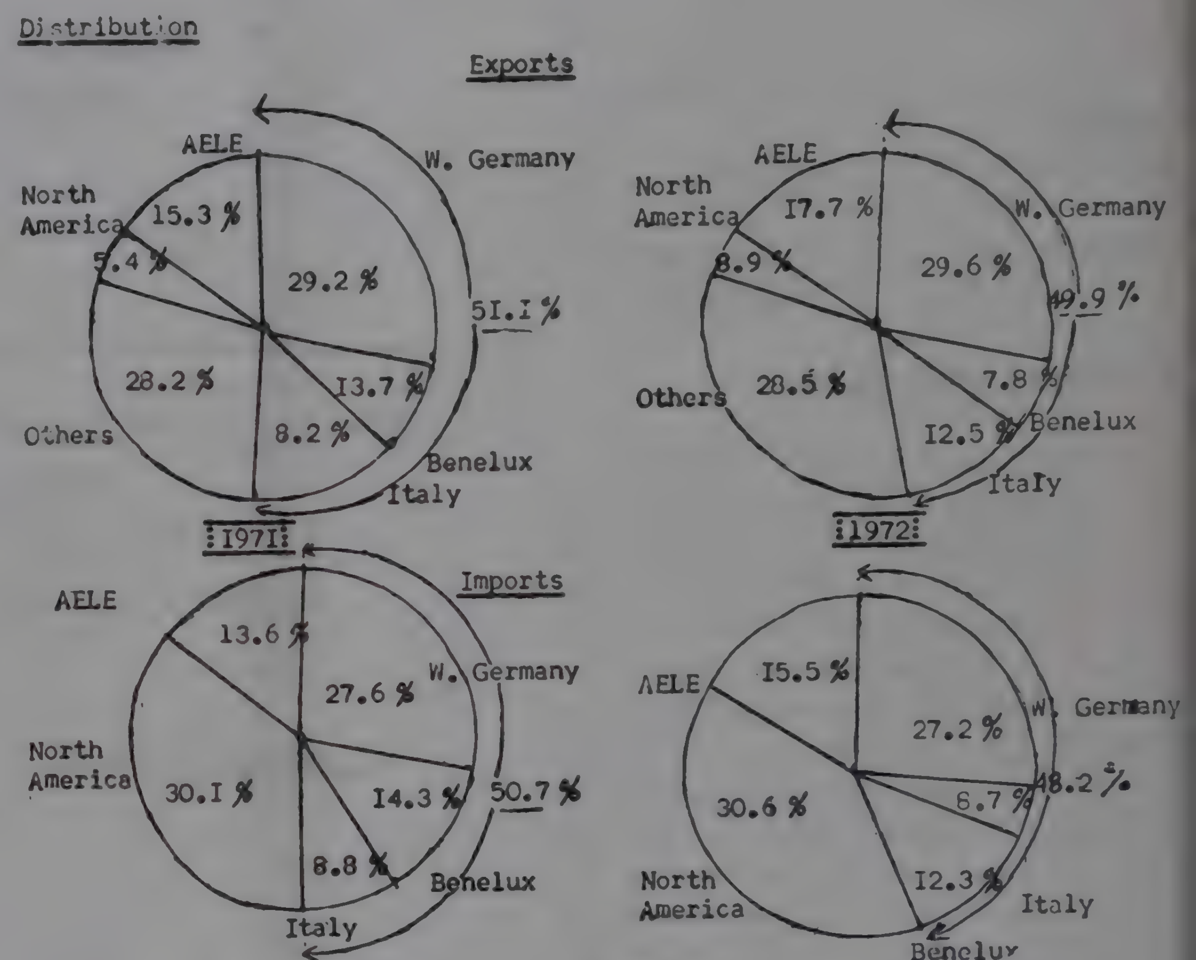
Except for the export of professional electronics the sales abroad are concentrated in Europe. Nevertheless, in 1972, this concentration began to be loosened W. Germany has always stayed as the major partner. Exports have increased to Britain. Sales to that country increased by 58 per cent since its entry in the EEC. The same trend car be observed for imports. (Graph V and VI)

For many years now an increasing share of production of professional equipment has been exported. In 1972 sales abroad were 1200 million French francs which was one-third of the total turnover of the sector. In the same period imports have been only of 246 million francs. Since 1960 exports have multiplied by six. Now they represents 50 per cent of those of the United States. The total exports of the components was 1.5 billion francs in 1973.

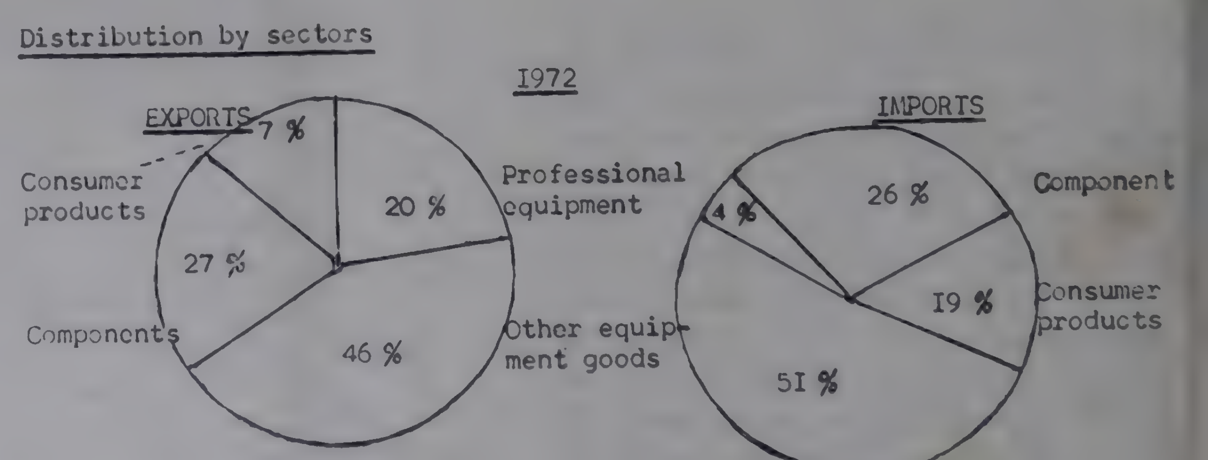
Exports of semi-conductors increased 70 per cent in 1973 but for elecro tubes the balance is still negative. I ports of passive components also incre ed by 19 per cent. Imports however r by 33 per cent.

French Trade Commissi
Bombay

Graph



Graph VI



his journal expressed elf strongly against amending the nstitution in order to create a category 'Associate' states when this step was ten by the government of India in order deal with the situation that had arisen Sikkim. It argued then that the government should have taken the straightward course of integrating Sikkim into r federal republic in the normal way d as a regular constituent state. It therere welcomes the latest developments hich are leading to the proper merger Sikkim with the rest of India. I am vare that there are in our midst people ho continue to be highly critical of New elhi's handling of the Chogyal or the tonomy which Sikkim enjoyed as a proctorate. I am afraid that in this case the ne between being soft-hearted and softeaded could be very thin indeed. This untry has had enough experience of ouble along its borders and there is simy no point in our taking risks with the curity of our frontiers or our resources r warding off threats of aggression or eeting those threats should they nevereless arise. Asia, not only in the west ut also in the south and the southeast, as been thrown into a whirlpool of inability and uncertainties. India therepre owes it to itself not to neglect keeping s political and military fences in good repair. It just cannot afford to allow intriues of a personal or political nature in s sensitive border areas, which might eopardize its capacity to anticipate rouble and thereby either avert it or e prepared to meet it.

The period between the incorporation f Sikkim into the Indian union as an ssociate state and now, when circumstances have rendered complete integraion or normal merger no longer avoidable, had been a time of tension for all concerned largely because the Chogyal was just not able to reconcile himself to he changed situation. It has become impossible to allow him to exist or funcion as a disturbing factor on the Sikkim political scene since what Sikkim needs above all is an opportunity to integrate tself smoothly with the polity and economy of the larger India of which it has become a part. The Chogyal, who will soon be a private individual, is of course entitled to start a new life with dignity and status befitting his erstwhile station and there is no reason to believe that the government of India would not be utterly reasonable in sorting out this matter. There can however be no question of his staying on in Sikkim for that would be an embarrassment both to him and to others. This means that he should leave Sikkim as early as possible and stay elsewhere at least for a period. He has of course all the rest of India to choose where he would reside, but whether he lives in this country or goes abroad is a question which he has to settle in terms of his personal or family needs or wishes. Meanwhile there is every reason for us to rejoice in the fact that the aberration of "associate statehood" has died a natural death; we should now bury it properly by amending again the Constitution for the purpose of doing away with the concept.

Some people may find it hard to live up to their names. Of Mr Jaisukhlal Hathi, however, it may be said that he seems to find it extremely easy at least to live up to his surname. The elephant (*hathi* in Hindi) is a beast of impressive ponderosity but, when its safety or well-being is involved, or even simply when the mood gets into him, he could display amazing alacrity, both mental and physical. At the time of the split in the Congress, Mr Hathi did his obvious duty by quitting the council of ministers but, having made this gesture, for which he got due and deserved credit from all quarters, he lost no time in working his way back steadily but unobtrusively into the embrace of the Establishment. It is good to note that, during this period, he was required to suffer no material discomfort. On the contrary, as the standing counsel for the Gujarat state government in the Narmada dispute, he has been in enjoyment of a thumping retainer. More recently, he distinguished himself by presiding over a committee on pharmaceuticals which was appointed by the government to advise it on policy for this industry and which, oddly enough, subsequently chose rather to be advised i this matter by the minister of stat concerned.

When Mr Morarji Desai started hi fast on April 7, Mr Jaisukhlal Hathi (an Mr Manubhai Shah) were not amon those present in that conspicuousl Gujarati gathering on the lawns of M Desai's residence but, on April 13, whe Mr Desai broke his seven-day-old fast Mr Hathi (and Mr Manubhai Shah were among those who went to gree him.

A story I hear is that Mr Desai sai something to the effect that he had n use for those who (to put it politely) wer faint of heart. I do not know how Mr Tarkeshwari Sinha fared when she wen to Mr Desai's residence—which she did— after the fast had lasted some days. She incidentally, had taken it upon hersel earlier to declare that she could see n reason for the fast and had even publicl offered advice to Mr Desai to re-conside his resolve.

Newspapers in New Delhi carried a report on April 15 tha the Delhi high court had suspended th previous day Mr S.C. Ahuja, a Delhi sub judge. The report added that althoug high court and district court sources con firmed the suspension, they were reluc tant to give out the circumstances leadin to this drastic action being taken agains the sub-judge concerned. Mr Ahuja, i seems, was engaged in hearing 'matrimo nial' cases and Delhi is rife with rumour that his present plight is due to allegation made against him of improper conduc with a woman litigant. It is obvious tha the Delhi high court would not have take the drastic step of suspending him unles it is satisfied that there is a *prima faci* case for inquiring into the allegations.

If this is so, it is difficult to understan why an authoritative account of the cir cumstances in which the sub-judge ha been suspended has not been released t the press. Surely, the public interest will be served rather than hurt if it become widely known that the high court i determined to uphold the highest tradi tions of the judiciary by taking actio swiftly and strictly against judicia officers accused or suspected of ob jectionable conduct relating directl or indirectly to the discharge of thei official duties. A policy of "hush hush" in such matters can only encourage avoidable speculation.

VB

MOVING FINGER

TRADE WINDS

Avoidance of Double Taxation Pact with Italy

THE GOVERNMENTS of India and Italy have finalised an agreement for avoidance of double taxation of income for enterprises of the two countries operating aircraft in international traffic. Instruments of Ratification were exchanged recently by Mr S.R. Mehta, Chairman, Central Board of Direct Taxes and Dr Giuseppe Avitabile, Charge d'Affaires ad interim of the Italian Embassy in New Delhi. The agreement provides for exemption of income of aircraft enterprises with retrospective effect from 1960. A notification about this is being issued separately.

Trade with Hong Kong

Hong Kong, which is one of the major shopping centres in the world, is India's significant trading partner in Asia. During 1973-74, India's exports to Hong Kong increased to Rs 35.9 crores as against Rs 19.76 crores last year. In earlier years also, India's exports to this market indicated a steady upward trend from Rs 8.35 crores in 1967-68 to Rs 15.80 crores in 1971-72. Imports from Hong Kong to India were worth Rs 16.72 crores in 1973-74 as against Rs 1.92 crores in 1972-73. The imports also showed a continuous increase from Rs 87 lakhs in 1967-68 to Rs 2.21 crores in 1971-72. In the comprehensive range of India's exports to Hong Kong, prominent items include pearls, precious and semi-precious stones, cotton manufactures, fresh fruits and nuts, dyeing, tanning and colouring materials, electrical machinery, other machinery and medical and pharmaceutical products.

Hong Kong supplies to India mainly medical and pharmaceutical products, printed matter, pearls, precious and semi-precious stones, machinery and electrical machinery and other articles. Hong Kong offers sizeable prospects for trade, as it is a major business centre in Asia.

As Hong Kong is rapidly marching towards greater industrialisation in recent years, India's engineering products, components, and intermediates and semi-finished raw materials can meet the requirements of that country because of their price, competitiveness and quality. Consumer goods are also in sizeable demand in Hong Kong. India has also a good scope for increasing its exports of builders' hardware, steel structurals, sanitary fittings, decorative fittings and other maintenance items as construction activities are being undertaken on a big scale in Hong Kong. It also offers a market for export of tools and equipment for the local workshops and products such as fruits and vegetables.

Indo-German Aid Talks

A six-member delegation from the Federal Republic of Germany headed by Additional Secretary Dr Franz Klamser arrived here on April 15, for discussions with the Indian ministry of Finance concerning German financial assistance in 1975. The Indian side was headed by Additional Secretary M. Narasimhan. The delegation will stay until April 26. They propose to visit the Modi Rubber Plant (tyres and tubes) which is to be inaugurated on April 26. The factory was put up with German financial assistance and technical know-how. German capital assistance in 1974 amounted to 350 million DM (Rs 116.7 crores) plus 62 million DM (Rs 20.6 crores) technical assistance which is a grant. Germany is also a major contributor to multilateral agencies such as IDA, the IMF (oil facility) and the aid funds channelled through the EEC.

Export of Indian Furniture

The export value of Indian furniture, which was nearly Rs 67 lakh in 1971-72 and Rs 72 lakh in 1972-73, shot up to Rs 170 lakh in 1973-74. During the first seven months of 1974-75 (April-October 74), the export value was nearly Rs 150 lakh). Export of wooden chairs rose considerably. From a mere one lakh in 1971-72 and two lakh in 1973-74, the exports of these chairs for the first seven months in the following year amounted to Rs 13.2 lakh. Household steel furniture accounted for more than four-fold increase in exports. From 2.9 lakh in 1971-72, exports reached Rs 5 lakh in 1973-74. During April-October 1974, the export value grew substantially to Rs 12.8 lakh.

Export of Steel office furniture has also doubled in the course of years. During April-October 1974, export of this item crossed Rs 68 lakh mark while the export of this item in 1971-72 was only for Rs 29.2 lakh. Other furniture of wood and parts (excluding artware) also contributed its share to the general rise in exports of Indian furniture. In terms of value, exports during April-October 1974 was more than four times the realisation of foreign exchange in 1971-72. From Rs 4.3 lakh in 1971-72, the exports have crossed Rs 18 lakh during April-October 1974.

The major destinations of the export of wooden chairs were the UK (Rs 12.3 lakh during April-October 1974). Ku and Muscat imported In household steel furn worth Rs 2.7 lakh and Rs lakh respectively. Mus imports of steel office furn from India amounted to 39.5 lakhs during April-O ber 1974. Dubai's impor this item during this pe was Rs 7.5 lakh. Iraq co buted for the major shar imports of Indian furni (wood) totalling Rs 8.5 during April-October 1 Other items of Indian fu ture also showed a ri trend in exports. They hospital beds with mechar fittings, medical and de furniture, furniture of iron steel and parts.

Farakka Talks

The delegation from In led by Mr Jagjivan R minister of Agriculture Irrigation met the delegat from Bangladesh led by Abdur Rab Serneabat, mi ter for Flood Control, Wa Resources and Power in Da from April 16 to 18, 19 The talks were held in a c dial atmosphere and w characterised by mutual und standing that exists betw the two friendly countries. Indian side pointed out t while discussions regarding location of fair weather flo of the Ganga during l months in terms of the Pri Ministers' declaration of M 1974 are continuing, it is sential to run the feeder ca of the Farakka Barrage d ing the current lean peri It is agreed that this ope tion may be carried out w varying discharges in ten- periods during the months April and May, 1975, ensuri the continuance of the rema ing flows for Bangladesh.

Joint teams consisting experts of two governme shall observe at the appropri places in both the countr the effects of the agreed wi drawals at Farraka, in Bang desh and on the Hooghly ri for the benefit of Calcu Port. A joint team will a be stationed at Farakka record the discharges into feeder canal and the remain flows for Bangladesh. T

s will submit their re-
s to both the governments
onsidaration.

w Zealand Trade
r

This country will partici- in the forthcoming New and Trade Fair at Welling- to be held from August o September 6, 1975. The istry of Commerce will or- se participation in the . The trade between New land and India has been eloping at a steady rate. v Zealand offers a large ket for Indian products, ecially in engineering field. rt from traditional items h as textiles, jute goods and dicrafts. Participation in Fair will help the Indian nufacturers and exporters come in direct contact with traders of New Zealand neighbouring countries. e government will extend essary facilities for the rance of the exhibits from toms, octroi duty and ex- t control formalities. The serve Bank of India will be requested to release eign exchange for the parti- ants to attend the Fair for gotiation of on the spot siness.

A Credit

A credit of $ 75 million m the International Deve- pment Association (IDA) an iliate of the World Bank, ll help to finance a two- ar programme of credit to rmers in India. The credit pports the activities of the ricultural Refinance Cor- ration (ARC), an agency tablished in 1963 to provide edium-and long-term finance commercial and cooperative nks for on-lending to far- ers. The main focus under e project being assisted by DA will be a continuation of e development of minor irri- tion to help India to in- ease its food production, and n staff training to enable the ain rural banking institutions meet more effectively the owing credit needs of the untry's agriculture. About 7 million of the IDA credit ll be set aside for lending to nall farmers who will be able to borrow on perferential terms. Access to credit is crucial if the rural smallholder is to make his land more productive.

The project will bring major economic and social benefits to India. The investments in minor irrigation will help to increase annual agricultural production, mostly foodgrains, by 895,000 tons valued at $ 66 million. Over 100,000 farmers and their families (A total of about 600,000 persons) will benefit from higher incomes. In terms of institutional development ARC will be further strengthened, and an intensive training programme will make the land development banks throughout the country more efficient instruments to expand rural credit.

ARC will be responsible for the execution of the project. The corporation has been the channel for IDA credits totalling $ 320 million for expanding agricultural credit in ten Indian states. The IDA credit to government of India will be for a period of 50 years, including 10 years of grace. It will be interest free, but a service charge of $\frac{3}{4}$ of 1 per cent will be made to cover IDA's administrative costs. ARC will channel the funds through land development banks and participating commercial banks to farmers at appropriate terms.

Expansion in Electricals

In the context of the government's policy to promote fuller utilisation of existing capacity, industrial undertakings currently holding a licence for the manufacture of one or more items falling under the scheduled industry 5(1) "equipment for generation, transmission and distribution of electricity including transformers" and 5(2) "electrical motors" were allowed to undertake the manufacture of any other item falling under the same such schedule within the overall licensed capacity for such items subject to certain exceptions. It was stipulated in the press note that interested parties should submit their applications to the Additional Secretary, Department of Heavy Industry, New Delhi.

Inpartial modification of the earlier stipulation, it has been decided that application for diversification in items falling under the scheduled industry 5(1) "equipment for generation, transmission and distribution of electricity including transformers" will be received and disposed by the Additional Secretary in the Department of Heavy Industry, while applications for diversification in items falling under the scheduled industry 5(2) "electrical motors" will be received and disposed of by the concerned Joint Secretary in the Department of Industrial Development, Udyog Bhavan, New Delhi.

New Power Units

Eight power generating units, with a total capacity of 674 MW, were commissioned at various places in the country during March this year. The new units added were a Second 120 MW unit at Keradi thermal power station in Maharashtra, Fifth 120 MW unit at Chandrapura thermal power station, DVC, third 100 MW unit at Badarpur thermal power station, two of 4.5 MW units each at Vir Hydro-electric project in Maharashtra, three units of 60 MW each at Yamuna Stage II, hydro-electric project (Chhibro) in Uttar Pradesh, one 10 MW unit at Yamuna Stage IV, hydro-electric project (Kulhal) in Uttar Pradesh, fourth unit of 60 MW at Balimela hydro-electric project in Orissa, and third unit of 75 MW at Ukai hydro-electric project in Gujarat.

Haryana, Punjab and Uttar Pradesh received reliefs from Badarpur thermal power station to the extent of 41 million units, 17 million units and 21 million units respectively during March. Himachal Pradesh supplied 6.1 million units to Punjab and Bihar 31 million units to Uttar Pradesh. In the eastern region, the power position was generally satisfactory in Bihar and DVC area. In Orissa, the position improved and the restrictions on the Indian Aluminium Co, Hirakud were further relaxed. Power supply was satisfactory in Gujarat while Maharashtra and Goa continued to face shortages. In Madhya Pradesh, energy position was satisfactory but peak load restrictions in urban areas were in force. In the southern region, certain relaxations were allowed in power cuts in Andhra Pradesh. Severe restrictions continued in Tamil Nadu. Generation of energy at Neyveli thermal power station had to be severely restricted for about a week on account of the flooding of Lignite mines due to heavy rains.

Increased Capacity Utilisation

Mr Vidya Charan Shukla, minister of state in the ministry of Planning, stated in the Lok Sabha recently that in the annual Plan for 1975-76, emphasis would be laid on utilisation of production capacities and more efficient employment of the limited financial resources. He stated that in the formulation of annual Plan for 1975-76 care had been taken to see that capacities already created were fully utilised. For that purpose bottlenecks had been identified and remedial action initiated. The minister added that cost-benefit analysis of projects had been undertaken and financial outlays and related physical achievements phased out, for the purpose of ensuring more efficient employment of limited financial resources. Further, the investments required for replacement and inventories had also been taken into account while preparing the annual Plan for 1975-76.

Telco Output

The output of Tata commercial vehicles manufactured by the Tata Engineering and Locomotive Company Limited during the period January-March, 1975, was 6543 units as compared to 6230 units produced during the corresponding period last year. The total

output for the financial year 1974-75 was 22,590 units as compared to 22,556 units produced during 1973-74.

LIC Reduces Premium Rates

The Life Insurance Corporation of India has reduced the additional premium payable for granting of combined accident and extended disability benefit on life insurance policies from Rs 2 per thousand to Rs 1.50 per thousand with effect from April 1, 1975. All proposals completed on or after April 1, 1975 will receive the benefit of this reduction in premium and excess premium collected, if any, will be refunded.

Prior to April 1, under the policies issued by the LIC, wherever the risk of normal death was covered for the basic premium, the additional payment of Rs 1.50 per thousand entitled the policyholder for double the sum assured in case of death due to accident and a further payment of Rs 0.50 per thousand secured, in addition to the above benefit, the waiver of all future premiums and payment of one tenth of the basic sum assured for a period of 10 years after the accident in case of total and permanent disability resulting from such accident.

The payment of Rs 1.50 will now entitle the policyholders automatically for both the above benefits, which were earlier secured by a consolidated payment of Rs 2 per thousand. This benefit has also been extended by LIC to all its existing policies with effect from April 1, 1975.

Bombay Port Trust

The Board of Trustees of the Bombay Port has been reconstituted with Mr J.C. Agarwal as Chairman and Mr K. K. Uppal as Vice-Chairman. The Board comprises other 18 members representing various official and non-official interests such as the government of Maharashtra, the Indian Railways, the Customs Department, The Food Corporation of India, the Indian Merchants Chamber and All-India Shippers' Council. There are two trustees representing labour employed in the port.

Names in the News

Dr Rajaram Jaipuria, former Vice-President has been unanimously elected as the President of the Employers Association of Rajasthan at its annual general meeting held on March 29, 1975.

Dr Jaipuria has been chairman of the Employers Association of Northern India, Kanpur, Rajasthan Textile Mills Association, Jaipur. He is now the chairman of the UP Cotton Textile Millowners Association, Kanpur, President of the Textile Association (India), UP Branch, Kanpur and OISCA International, Japan, Kanpur branch. Dr Jaipuria is the managing director of one of the large[illegible] Cotton Textile unit—Swades[illegible] Cotton Mills Co Ltd and director of M/s Swades[illegible] Polytex Ltd, M/s Swades[illegible] Mining & Mfg Co Ltd, U[illegible] State Industrial Developmen[illegible] Corporation Ltd, M/s Triven[illegible] Sheet Glass Works Lt[illegible] and committee member of th[illegible] UP Cooperative Spining Mill[illegible] Ltd, Etawah.

COMPANY AFFAIRS

ndustan Aluminium

IDUSTAN ALUMINIUM has fered a serious setback ing 1974 due to combi-ion of several adverse tors affecting both produc-n and profitability. The rking of the company ing the year has resulted a loss of Rs 3.19 crores against a gross profit of 2.99 crores in the previous ar. After providing Rs 3.68 ores for depreciation as ainst Rs 3.64 crores in 1973, year has ended with a s of Rs 6.87 crores as mpared to a loss of Rs 64.90 khs in the preceding ar. In fact the working sults do not reflect the ll impact of the increase in e cost of raw materials d other inputs as part of eir consumption during the ar came from the relatively w-priced purchases of 1973. view of the loss during the ear the directors have skip-ed both the equity and pre-erence dividends.

he Power Famine

The power famine has everely affected the company's erformance during the year, vith metal production drop-ing to 44,002 tonnes from 3,470 tonnes in 1973 and 8,503 tonnes in 1972. With all in production, the net urnover also declined to Rs 29.69 crores from Rs 32.01 rores in 1973. The com-pany's present plight has been mainly due to poor power supply and the high average cost of power. The year started with a 100 per cent power cut by the UP State Electricity Board which conti-nued till the later months of the year when it was reduced to 67 per cent. The strike by a section of the staff which began in early March and lasted till the end of May also took its toll, particular-ly because it needed quite some time and expenditure to normalise plant operations.

The selling prices fixed in early 1971, rendered very uneconomic by the increased costs, were not revised until late in May 1974. Even than the rise granted was inade-quate. An ad hoc increase of Rs 404 per tonne granted from March 1975 was only to compensate the company partially for higher power rates. The only ray of hope in this dismal picture is that the government is at last seriously considering ways and means to make sufficient power available to the industry and has approved installation of two coal-based thermal power units by the company's subsidiary.

Century

The new cement plant of Century Spinning and Manu-facturing Company at Tilda, has commenced commercial production since January 1975. Initial difficulties and teething trouble are being gradually eliminated and it is expected that the installed capacity of the unit will be achieved after a few months. The second kiln and the relevant mills are expected to be commissioned shortly. Start-up of the plant was un-fortunately delayed because of the undue late deliveries of the main plant and the equip-ment ordered with Messrs. ACC Vickers Babcock Limi-ted. Meanwhile the com-pany has started prospecting work to re-assess and re-confirm the availability of adequate quantities of limes-tone of suitable quality. The company has revised the proposal to the government for setting up a pulp and paper project. Final deci-sion in the matter is expected shortly. The company has been interested in sponsoring a seamless steel pipe project. Recently it has submitted a modified proposal on the basis of export orientation in terms of the latest policy of the government of India. The company's rayon and tyre cord plants worked satis-factorily during 1974. The company does not anticipate any problem in respect of marketing of tyre cord. The renovation of the company's textile mills is in progress. The company's project in Indonesia is making excellent progress and trial production is expected to start in April 1975.

Parrys Confectionery

Sharp escalation in mate-rial costs, steep rise in wages stiff hike in excise duties and high financial changes have affected adversely the work-ing of Parrys Confectionery Ltd during 1973-74. As a result the company has su-ffered a loss for the first time since its inception. During the year the company has incurred a loss of Rs 5.98 lakhs as compared to a pre-tax profit of Rs 9.13 lakhs in 1972-73. In view of the adverse results the directors have not recommended any dividend for 1973-74. As re-gards the Malaysian factory it is reported that the ma-nagement of this unit has

Eastern Economist 30 Years Ago

APRIL 27, 1945

The conception of "scarce currencies" is some-thing alien to orthodox monetary thinking. Yet in all deliberations on post-war monetary ques-tions, the problem has assumed major importance. In fact, in the final act of the Bretton Woods Con-ference, a whole article bore on the problem of scarce currencies, the method of mitigating the scarcity and of equitable distribution during the period of scarcity. Although the problem is posed in general terms, it is quite clear that what the authors have in mind is the generally appre-hended fear of an acute scarcity of dollars in the post-war period—an incipient scarcity which is only masked by the technique of lease-lend and other purely temporary concomitants of war exigencies. The United States has been accused of its inability to adjust itself to the psychology and economic structure appropriate to the greatest creditor na-tion and much of the world's economic woes are ultimately attributed to this. Some misconcep-tions about the foreign trade structure of the United States are widely held and while much hope of the post-war world economy rests on the coun-try's constructively fulfilling after the war the role of the world's creditor *Par Excellence*, it would be interesting to note the striking changes which have occurred in the net international position of the country in the course of the war and appraise its probable effect in the post-war period for the world at large.

been handed over to the Malaysian directors and the company was providing only the technical staff as stipulated in the royalty and technical know-how agreement. However with the large carried forward losses for the year 1972 and 1973 the unit was facing great difficulties and it became necessary to inject further capital to enable the unit to operate viably. Financial arrangements have been made locally and also with that of EID Parry Ltd. The management of the unit has been reverted to the company from September 1974 and various measures are under implementation to improve the working of the unit.

Following the price hike in all commodities the cost of confectionery was pushed up to a point where consumer resistance set in. The position continues to be difficult and the results of the current year's operations are not likely to be encouraging. The board is taking steps in various directions including investigating possibilities of diversifying the company's activities into allied areas, to bring about an improvement in the company's operations by concentrating on production of high-grade confectionery which will yield better margins of profit. This was disclosed by the chairman Mr H.V.R. Iengar while addressing the annual general meeting of the company.

Pfizer

Net sales of Pfizer Limited during the year ended November 30, 1974 have recorded a growth of about 8 per cent over the previous year but its net profit for the year has declined by about 25 per cent. Since 1969, the year immediately prior to the imposition of the Drugs (Prices Control) Order, there has been a continuous decline in the profitability of the company year after year. In 1974, the pre-tax profit of the company on formulations has dropped steeply to about just half of the ceiling limit of 15 per cent fixed by the government. The profitability picture of the company has been really worse in 1974 than during the previous years in so far as the net profit earned, working out to only about 5 per cent of the sales turnover as against 7.7 per cent in 1973 and 8.2 per cent in 1972. The company has been operating in a situation where, while the prices of the end-products are controlled, those of the various inputs are not, with the result that the cost of manufacturing the products and servicing the customers has spiralled over the years and continuously eroded the company's profitability. With a view to enable the company to declare a final dividend after the expected amendment to the Dividend (Restrictions) Act is made, the Company has decided to extend the date for holding the annual gentral meeting.

German Remedies

German Remedies has reported fine progress during 1974. Its turnover during the year improved by 25 per cent to Rs 6.52 crores from Rs 5.24 crores but its gross profit declined by 5.8 per cent from Rs 70.73 lakhs to Rs 66.65 lakhs. Out of the gross profit the directors, have provided Rs 11.41 lakhs to depreciation reserve, Rs 2 11 lakhs for development rebate reserve and Rs 29.50 lakhs for taxation as against Rs 8.27 lakhs, Rs 1.46 lakhs and Rs 42.00 lakhs provided respectively in 1973. The directors have reduced the equity dividend from Rs 1.40 to a rupee per share. The equity shares issued in 1973 to the public will be entitled to full dividend as against pro-rata in the previous year.

Blue Star

Blue Star has reported significant improvements in working results during 1974, the turnover, profits and margins, all being substantially higher than in the previous year. The equity dividend has been enhanced from 10 per cent to 11 per cent. Besides the shareholders have been rewarded with a two-to-five bonus issue. The total income during the year has gone up to Rs 19.94 crores from Rs 17.24 crores while gross profit has advanced to Rs 93.84 lakhs from Rs 76.54 lakhs in 1973. Out of the gross profit. the directors have appropriated a sum of Rs 7.45 lakhs to depreciation reserve, Rs 0.19 lakh to development rebate reserve and Rs 60.00 lakhs to taxation reserve as against Rs 7.62 lakhs, Rs 0.72 lakh and Rs 44.50 lakhs provided respectively in 1973. After adjustments a sum of Rs 26.89 lakhs has been transferred to general reserve. The dividends—equity and preference —will absorb Rs 8.53 lakhs and will be paid out of the general reserve.

Sundatta Foods

Sundatta Foods and Fibres has returned to the dividend list after a lapse of about two decades. The directors have proposed an equity dividend of 12 per cent for 1974. The company has also cleared arrears of preference dividend up to the end of 1974. In the previous year the company had cleared arears of preference dividend from 1960 to 1966. The company's performance during 1974 however does not compare favourably with that of 1973 which had the benefit of the world boom in vegetable oils and proteins. During 1974 the company has to contend with severe power cut and the fall in the prices of its end-products. Its turnover during the year was higher at Rs 8.36 crores as compared to Rs 6.40 crores in 1973 but gross profit dropped from Rs 58.80 lakhs to Rs 39.83 lakhs. It exports during the year amounted to Rs 2.4 crores as compared to Rs 2.1 crores in the earlier year. The company hopes to start a production of stearic acid and glycerine by the middle of 1975. It has been granted an interest free loan of Rs 10 lakhs by NRDC for the production of edible and pharmaceutical grade high proteins cotton seed conce[ntrate] at Chitradurga plant.

Hoechst Dyes

Hoechst Dyes and Chem[i]cals, which had applied for [an] industrial licence for manufa[c]turing vinyl acetate monom[er] acetic acid and synthetic res[in] dispersions in a new facto[ry] proposed to be set up [in] Madhya Pradesh, has recent[ly] received a communication fro[m] the government stating that [a] prima facie case for the issu[e] of a licence does not exist [as] the proposal involved substan[tial] outgo of foreign exchang[e] and a large number of parti[es] belonging to the medium secto[r] have showed an interest in th[e] manufacture of the said pro[ducts]. However, an opportu[nity] has been given to the com[pany] to state its case befor[e] the government reached a fina[l] decision. Accordingly, th[e] company's representation ha[s] been submitted to the govern[ment] and a reply is awaited. The company has separately received communications stat[ing] that the company's appli[cation] for foreign collabora[tion] as also an application under Section 22 of MRT[P]

in respect of the above ject has been rejected.

mar Dye-Chem

Amar Dye-Chem is going ead with its expansion plans. e construction of the plant vat dyes and their inter- diates is in progress at ahad near Bombay. The nt for dymethlyaniline has en commissioned. Regular oduction has not been pos- ole due to the present power ortage. The company has ceived a letter of intent for 400 tonnes of rubber chemi- ls to be manufactured with- t foreign collaboration based processes developed by it. letter of intent for manufac- ring 200 tonnes per annum dyes for acrylic fibre has so been obtained. The pro- ss development studies for anuric chloride have been mpleted in West Germany s also at Hyderabad and the nplementation of this project expected shortly.

News and Notes

Polyolefins Industries has ndertaken the project to ins- l high density polyethylene ipes for the carriage of natu- l gas for the entire city of aroda. This is the first time India that high density po- yethylene pipes are used for his purpose. The first two tages of the project are almost omplete and 200 km of pipe- ines have been laid. About 6,900 gas connections have o far been provided to the ouseholds in Baroda. During 974, the company maintained he production of high density olyethylene granules at a igher level than in the previ- ous year. The plant for n-bu- ene-1 was installed during the ear and its production is ex- ected to be established in the urrent year. It has imported diesel generating set which vill be commissioned in the urrent year.

Usha Breco Ropeways Limi- ted, has successfully commis- sioned twin track jigback bic- able passenger cum goods ropeways across the river Noa- Dehing in the remote Aruna- chal Pradesh, first of its kind in the country, with a single span of 2000 feet catering for a maximum load of passengers cum goods not exceeding 1½ tonnes for Oil India Limited. The job was completed in a record period of six months. The ropeway will be used by Oil India Limited as a part of its oil exploration programme.

Syndicate Bank has received Laghu Udyog Sahayogi Award from the National Alliance of Young Entrepreneurs, New Delhi for the outstanding service it has rendered in the sector of Small Scale Industry with particular reference to the encouragement given to self-employment among the educated unemployed. National Alliance of Young Entrepreneurs, known as NAYE is an all India organisation of young entrepreneurs of the country. As on March 31, 1975 Syndicate Bank has financed 2,500 educated unemployed persons for self-employment to the tune of Rs 5 crores. Besides, the Bank has so far assisted 28,000 self-employed and professionals. The

Bank's finance to Small Scale Industries, as on January 1975, stands at Rs 38.22 crores covering 10,305 units.

New Issues

Bihar Foundry & Castings Ltd. is offering 270,000 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list opens on April 28 and will close on May 9 or early but not before April 30. The company is setting up a steel ingot casting plant by installing a 10/12 MT electric arc furnace and auxiliary equipment at Marar near Ramgarh in the state of Bihar for manufacture of miled steel, low alloy and carbon steel ingots with an installed capacity of 18,000 MT per annum. The wide variety of steels proposed to be produced by the company are in regular demand by re-rolling and various engineering industries such as automobiles, forging units, machine tools, railway etc. Hence the company does not anticipate any difficulty in marketing its products. The total cost of the project is estimated at Rs 105 lakhs and it will be financed by the equity share capital of Rs 45 lakhs and term loans of Rs 60 lakhs.

With a view to diluting its foreign share holding from 74 per cent to 51 per cent, **Tribeni Tissues** has decided to issue 19,75,845 epuity shares of Rs 10 each at a premium of Rs 2.50 per share. Out of this, 4,93,981 shares are being issued to public sector financial institutions, 30,000 shares to the employees and 7,59,097 shares to the existing shareholders on rights basis in the ratio of two shares for every three share held. The remaining 6,92,767 equity shares are being offered to the public for subscription. The subscription list is scheduled to open on May 19 and will close on May 29 or earlier but not before May 21. The applicants will have to pay Rs 6.25 a share—Rs 5 on capital account and Rs 1.25 on premium account—along with the application. The balance will be taken in one call after three months from the date of allotment. The company has embarked on an expansion programme which will raise the installed capacity to 13,500 tonnes annually from the present 8,500 tonnes. The capital outlay is estimated at Rs 10.35 crores which includes an import content of Rs 81 lakhs. ICICI has sanctioned the foreign exchange loan for this purposes.

Capital and Bonus Issues

Consent has been granted to 11 companies to raise capital. The details are as follows:

The United Breweries Ltd., Bangalore, have been accorded consent, valid for three months to capitalise Rs 100 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Reliance Textile Industries Pvt Ltd have been accorded consent, valid for three months, to capitalise Rs 80,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The National Rifles Ltd have been accorded consent, valid for 12 months, for the issue of equity shares worth Rs 10 lakhs to its holding company, The Indian Hume Pipe Co Ltd.

The Trackparts of India (P) Ltd, Kanpur have been accorded consent, valid for three months, to capitalise Rs 12,08,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of four bonus shares for every five equity share held.

The Oudh Sugar Mills Ltd. Bombay, have been accorded consent, valid for three months to capitalise Rs 77,48,500 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares.

The Widia (India) Ltd Bangalore, has been accorded consent, valid for 12 months only for issue of further capital of Rs 3,70,400 in equity shares of Rs 100 each for cash at premium of Rs 170 per share as to Rs 2,00,900 to the existing Indian shareholders and the balance of Rs 1,69,500 to the Unit Trust of India.

The Kanjur Bleaching Co Pvt Ltd, have been accorded consent, valid for three months, to capitalise Rs 62,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The NSP Straw and Paper Products (Pvt) Ltd, have been accorded consent, valid for three months, to capitalise Rs 4,00,000 out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Stepan Chemicals Ltd, New Delhi, has communicated to government its proposal to issue capital under clau[se] 5 of the Capital Issues (Exem[p]tion) Order, 1969, to the val[ue] of Rs 45 lakhs (inclusive [of] capital already raised) [in] 4,50,000 equity shares [of] Rs 10 each for cash at par [to] be subscribed privately as [to] Rs 23 lakhs by PIDC and [Rs] 22 lakhs by Messrs Daiaic[h] Karkaria Pvt Ltd.

The Soma Plumbing Fixtur[es] Ltd., Calcutta, has commun[i]cated to government its pr[o]posal to issue capital unde[r] clause 5 of the Capital Issue[s] (Exemption) Order, 1969, t[o] the value of Rs 13 lakhs divi[d]ed into 50,000 equity shares o[f] Rs 10 each and 8,000 (11 pe[r] cent) redeemable cumulativ[e] preference shares of Rs 10[0] each, for cash at par, to b[e] issued as to the entire equit[y] to the holding company an[d] the entire preference capita[l] to the public by prospectus.

The Sree Rayalaseema Pape[r] Mills Ltd., has communicate[d] to government its proposal t[o] issue capital under clause 5 o[f] the Capital Issues (Exemption) Order, 1969, to the value o[f] Rs 100 lakhs (inclusive of th[e] capital already raised) i[n] 10,00,000 equity shares of R[s] 10 each, to be subscribed privately for cash at par.

Dividends

(Per cent)

Name of the Country	year ended	Equity dividend declared for Current year	Previous year
Higher Dividend			
Belapur Sugar	September 30, 1974	6.00	Nil
Sarvaraya Textiles	March 31, 1974	12.0	8.0
Same Dividend			
Central Pulp Mills	September 30, 1974	Nil	Nil
Mopeds India	June 30, 1974	Nil	Nil
Shalimar Ropes	June 30, 1974	Nil	Nil
Reduced Dividend			
New Swadeshi Sugar	June 30, 1974	5.0	16.0
Alembic Chemicals	December 31, 1974	2.0	9.0
Alembic Glass	December 31, 1974	10.0	12.0
Orissa Cement	December 31, 1974	10·0	20.0

...he Man-Made Fibre Spinners' Association

Speech of

Shri G.L. Lath, Chairman,

AT ITS FOURTH ANNUAL GENERAL MEETING

...Wankhede, Shri Poddarji
...Colleagues :

...-made fibre industry in ... has been making a stea-... progress inspite of several ... and I believe it will conti-... to render a very useful ser-... in the field of clothing of ... millions in the country. ... industry consists of two ...r divisions, one being ...-made staple fibre and other ...g man-made filament. Cel-...ic fibres are the largest ...ributories to the man-...e staple fibre industry in ...a and has played a very ... role in meeting the re-...ements of raw materials ...extile industry. This in-...ry has shown considerable ...wth both in terms of pro-...ion and employment.

...ccording to a recent survey ...ied out by the Silk & Art ... Mills Research Associa-..., it is observed that people ...n various income groups ... giving increasing preference ...he man made fabrics, cont-... to the belief in certain cir-... that the man-made fabrics ...e remained fancy of the dis-...minating buyer in the metro-...itan Cities and Towns. Over ... years, therefore, man-made ...es have created their own ...ful role in the country in ... field of textiles and have ...en able to raise their ratio of ...nsumption *vis-a-vis* cotton.

...Priority Industry

...As a matter of fact, increas-... use of man-made fibres ...serve high priority in the ...untry on account of the fact ...at there is already heavy pres-...re on land for production ... food grains. Since growing ...ore food grains will remain ...ain concern of the authorities ...r decades to come, it is in ...ness of things to plough more ...d more land for food grains ...an for textile raw materials. ... is at this juncture that man-...ade fibres can play very ...seful and complimentary role.

While the industry has made ...eady progress, currently, it is ...ling under several handicaps. ...he major cost of spinning yarn is raw material. It is observed that the price of major raw material viz., viscose staple fibre during the past a little over one year has gone up by as much as 70%. This cost of raw material in the context of currently prevailing price of staple yarn is inconsistent and very very high. While during the past six months there has been considerable fall in the prices of staple fibre yarn, there is no comparative fall in the price of staple fibre. This situation ought to be rectified.

Excessive Burden of Excise

Increase in staple yarn price is as much the result of increase in the cost of raw material as it is the result of increase of excise duties on them from time to time. Over the past few years, the Government have been steadily raising the duties not only on fibre but also on yarn and fabrics. The Budget proposals this year have suggested an increase of almost 60% over the existing levels for the various man-made fibre yarns. Inspite of the lower cost of staple fibre yarn, the high burden of excise duty which is imposed on them is bound to adversely affect their sales and bring about crisis. As a matter of fact, the incidence of duty on staple fibre yarn should be lower in terms of cotton yarn, as such yarns are lower priced than cotton yarns, and consequently, capacity of the industry to pay the duty on such yarns is also lower. The hike in excise in case of viscose staple fibre yarn therefore, can hardly be justified. It is persumed that the Government was prompted to make the proposal of raising the excise duty with the idea of reducing the burden of excise at fabric stage and increasing the same at yarn stage. Whereas this may be true in case of some other yarn and may facilitate collection of duty in organised sector, in case of staple fibre yarn this theory does not apply. Since the fabrics manufactured from this are very cheap and are mostly hand-processed, there was hardly any impact of excise duty at the fabric stage even before these Budget proposals. The new burden of additional excise duty, therefore, will add to the total cost of production without affording any relief at the fabric stage.

Similarly, the impact of excise duty on polyster fibre and polyster rayon and polyster cotton blended yarn is extremely high. Various representations have been made by various agencies in this regard but it appears the Government is not yet reconciled to the situation of viewing the synthetic fabric playing a more useful role in the textile field in our country. It is a matter of great regret that while even other developing countries in South East Asia, man-made fibres, particularly polyster fibre have gone long way to meet their clothing requirements, we are still seized with the more academic aspects of the problem.

Ban on Export

As a result of recessionary trends that are engulfing the entire world, the spinners in this country have been facing a very difficult situation. The prices of staple fibre yarn and fabrics are crashing every day and the spinners are unable to dispose of the stocks piling up at their end. In some cases, the market prices of yarn have fallen even below the cost of raw material, and the spinners have no other recourse than to make distress sales. Had they been able to liquidate some of these stocks in the international market, it could have given them ample relief. However, since the Government have banned the export of yarn in 1973, the spinners are facing great difficulties.

Of late, the union government has decided to allow export of cotton yarn with immediate effect to all destinations for shipment upto December 31, 1975. However, in case of viscose yarn, it is regretted, that the government have not viewed favourably such a move inspite of repeated requests. I would strongly urge that the ban on exports should be scrapped as soon as possible. It is expected that such a measure might earn four to five crores annually.

Fair Distribution

In order to effect a smooth supply and equitable distribution of yarn amongst various consumers, the Association started a Voluntary Scheme, which has worked quite well, except the disruptions caused by factors beyond its control. The Association had made it obligatory on its members to distribute 100 per cent of their production at ceiling prices fixed by it and effect deliveries in time. It is the utmost care that the Association is exercising to implement the voluntary scheme in letter and spirit. Even in fixing up ceiling prices of yarn, the Association has exercised considerable restraint, and in enforcing its members to absorb some escalation of costs demanded maximum sacrifice from its members in the interest of the consumers and society at large. In its attempt to keep down prices of staple yarn as well as staple fibre, frequent representations were made to convince the authorities and the manufacturers to check the costs of raw materials. As a result of these representations, I am happy to say that some results could be achieved.

Since September last the spinners have been finding it extremely difficult to dispose of their stocks due to the drop in market prices, and the situation has worsened to such an extent that many of the spinning units are facing extremely tough situation. The Association has apprised the government of the gravity of this situation and suggested some remedial measures. For example, it has recently requested to allow its members to export yarn to countries in Middle East and other regions, where yarn is likely to fetch good demand. We hope the government would consider this matter sympathetically.

MF's oil facility & OECD's "Safety Net" pact

recent developments have advanced international efforts sist countries with balance of payments problems aris- om higher oil prices. In Washington, the Fund's Exe- Directors completed work on the oil facility for and announced that transactions under it can be ted in the near future. In Paris, ministers for mem- of the Organization for Economic Cooperation and lopment (OECD) signed an agreement setting up a fin- l Support Facility (FSF) of SDR 20 billion to serve as fety net" for participants with payments difficulties. The 's oil facility was continued for 1975 on the basis of ssions of the interim Committee in January, and its ences from the oil facility for 1974 are described below. understandings that led to the FSF agreement were reached in January by the Group of 10 participants in General Arrangements to Borrow, and the facility that be established following the necessary legislative ap- al is described below in an article based on documents sed by OECD.

Oil facility for 1975

The Fund's Executive Di- ors reached a decision on l 4 to make resources lable under the oil facility 1975. Operations can be cted to begin in the near re.

To finance drawings under oil facility for 1975 the d is arranging loans from e major oil exporting ntries and several other ntries in strong external tions. Substantial amounts been provisionally com- ed, and negotiations are cted to be completed n. An interest rate of $7\frac{1}{4}$ cent per annum is being nged for these borrowings, the loans will be dominat- n SDRs. In January, the rim Committee agreed that equivalent of SDR 5 bil- should be sought.

In connection with the oil lity for 1975, the Executive ectors are discussing the blishment of a subsidy ac- nt designed to reduce the den of interest payable by most seriously affected nber countries.

A few features of the oil facility for 1975 are different from those that applied to the oil facility for 1974. Some of the main differences are to be found in (1) the formula for calculating member countries' access to the oil facility, (2) the conditionality governing access, and (3) the interest rates.

A member's total access to the oil facility for 1975 will be determined by a formula under which access will not exceed 125 per cent of the member's quota in the Fund or 85 per cent of the culculated increase in its oil import cost, whichever of these two limits is lower. The increase in a member's oil import cost is calculated by multiplying the volume of its net oil imports in 1972 or 1973, whichever was the higher, by $ 7.50 per barrel.

This new formula gives greater weight to a member's quota in calculating total access, and de-emphasizes oil import cost, as compared with the formula for the oil facility for 1974, which included 100 per cent of the calculated rise of its oil import cost and only 75 per cent of the member's quota. Furthermore, the formula for 1974, provided in most cases for a deduction of an amount equivalent to 10 per cent of the member's international reserves at the end of 1973. The new formula no longer includes a flat deduction for international reserves. In the course of the Fund's assessment of a country's balance of payments need, a judgement is to be made on the extent to which some of the member's reserves could be used to meet its balance of payments deficit.

A new element in the formula for the oil facility for 1975 is the introduction of a lower limit which will prevent a member's total access from dropping below one third of the increase in its calculated oil import cost, or below its maximum access as determined by the formula for the oil facility for 1974.

On the request of an individual member, the Fund may make an adjustment in access as calculated under the formula if the Fund is satisfied that this amount should be higher, because the member's imports of petroleum and petroleum products in 1972 or 1973 were abnormally low as the result of exceptional circumstances. A member wishing to make a drawing under the oil facility for 1975 is to submit a statement of this intention no later than February 27, 1976—a deadline subject to review. February 28, 1975 was the deadline for the oil facility for 1974.

The Fund's Interim Committee, at its January session in Washington, agreed that stricter policy conditionality should apply to the oil facility for 1975. Before requesting a drawing under the oil facility for 1974, a member was expected to consult with the Fund on its balance of payments prospects and policies, including those related to oil imports. Under the oil facility for 1975, however, a member country will not only have to describe to the Fund its policies to achieve medium-term solutions to its balance of payments problems, but the Fund will also have to assess these policies and find them adequate before the member country can make drawings under the oil facility. In addition, each user of the oil facility is to describe any measures to conserve oil or to develop alternative sources of energy that it had taken or proposed to take in the light of its economic situation, but these measures will not be subject to assessment by the Fund.

As with the oil facility for 1974, access will depend on the observance by a member of the understandings set forth in paragraph 2 of the Rome Communique, i.e., the member will avoid the introduction or intensification of restrictions.

Charges on a member's outstanding drawings under the oil facility for 1975 will center around $7\frac{3}{4}$ per cent ($7\frac{5}{8}$ per cent per annum for the first three years, rising to $7\frac{3}{4}$ per cent from three to four years, and $7\frac{7}{8}$ per cent from four to seven years). Charges under the oil facility for 1974 were, respectively, $6\frac{7}{8}$ per cent, 7 per cent and $7\frac{1}{8}$ per cent. Since the borrowings that are being arranged to finance the oil facility for 1975 will carry an interest rate of $7\frac{1}{4}$ per cent, the new schedule of charges will leave

a margin of slightly less than 0.5 per cent for the Fund. There was no such margin in 1974 when the Fund borrowing to finance the oil facility for 1974 carried an interest rate of 7 per cent. The margin for the oil facility for 1975 is expected to cover the Fund's oil facility expenses.

TABLE I

Use of Oil Facility for 1974

	Number of Pur-chases	(million SDRs) Amount purchased
Industrial countries		**675.000**
Italy	2	675.000
Other developed countries		**802.700**
Cyprus	2	8.100
Greece	3	103.500
Iceland	2	17.200
New Zealand	2	109.300
Spain	1	296.200
Turkey	1	113.200
Yugoslavia	3	155.200
Developing countries		**1,021.551**
Bangladesh	3	51.500
Burundi	1	1.200
Cameroon	1	4.620
Central African Republic	3	3.300
Chad	2	2.205
Chile	2	118.500
Costa Rica	2	18.837
El Salvador	2	17.890
Fiji	1	0.340
Guinea	1	3.510
Haiti	3	4.800
Honduras	1	16.785
India	1	200.000
Israel	1	62.000
Ivory Coast	1	11.170
Kenya	3	36.000
Korea	4	100.000
Malagasy Republic	3	14.300
Mali	2	5.000
Nicaragua	2	15.500
Pakistan	3	125.000
Panama	1	7.370
Senegal	1	15.525
Sierra Leone	2	4.914
Sri Lanka	3	43.500
Sudan	2	28.710
Tanzania	3	31.500
Uganda	2	19.200
Uruguay	2	46.575
Yemen, People's Democratic Republic	2	11.800
Total		**2,499.251**

Drawings under the oil facility for 1974 have been made by 38 member countries and for a total amount equivalent to SDR 2.5 billion, as shown in Table I. Of the total purchases under the oil facility for 1974, 27 per cent was made by Italy, 32 per cent by seven other developed countries and 41 per cent by 30 developing countries. The use of the oil facility has been an important factor assisting these member countries—especially in the latter part of 1974 and in early 1975—in overcoming the initial impact of the higher cost of oil imports on their balances of payments without resorting to an acceleration of restrictions and unduly abrupt adjustment such as severely deflationary policies or competitive exchange rate action.

While most developed countries succeeded in financing their enlarged current account deficits mainly through market borrowing and capital inflows, the oil facility was helpful in particular in the developing countries. For the aggregate of less developed countries that have used the oil facility for 1974, purchases have covered over 40 per cent of the calculated increase in their oil import cost in 1974. Italy financed 16 per cent of its calculated increase in oil imports cost by using the oil facility, and the other seven developed countries 28.5 per cent.

The resources available to the oil facility for 1974 amounted to SDR 3.04 billion through borrowing arrangements with the governments or central banks in nine member countries. The unused portion of these borrowings, roughly SDR 450 million, will be made available for the oil facility in 1975.

"Safety net" Agreement

A Financial Support Fund (FSF) open to all members of the Organization for Economic Cooperation and Development (OECD), was presented for signature in Paris on April 9. The agreement will be open for signature by founder members between April 9 and May 31, 1975.

The principal objectives of the FSF are to encourage and assist its members to avoid unilateral measures that would restrict international trade or artificially stimulate exports as well as to encourage them to follow appropriate domestic and economic policies, including adequate balance of payments and cooperative measures to promote increased production and conservation of energy. The new fund will provide a framwork in which its members will reinforce their economic cooperation and provide mutual financial support. An essential feature is that the risks on loans by the FSF will be shared among all members in proportion to their quotas and subject to the limits of their quotas, however the loans are financed. For a period of two years from the entry into force of the agreement, the fund is empowered to grant loans, in exceptional cases, to supplement other sources of credit to which members encountering serious economic difficulties have had recourse. Thus, it will be in the nature of a "safely net," to be used as a last resort.

Before calling on the FSF, a member will be expected (1) to have made the fullest appropriate use of its reserves; (2) to have made every effort to obtain capital on reasonable terms from other sources; and (3) to have made the fullest appropriate use of other multilateral facilities, such as those of the IMF and the European Economic Community. However, this does not mean that a member should have exhausted such other resources before it has recourse to the FSF.

Members' quotas in the FSF will determine their shares in the risks on loans, t voting rights, and t maximum financial liabilit the FSF. The quotas will p vide the basis for determin members' shares in the fina ing of loans and the amo they may borrow.

The total of the quota SDR 20 billion, or appro mately $ 25 billion. The d tribution of the quotas (Table I)) is based on a form which gives about equal wei to each member's gross n tional product (GNP) a foreign trade. Howeve, so adjustments have been ma for special circumstanc Thus allowance was made f countries with an exception ly large volume of forei trade relative to their GN which would otherwise ha produced too large a quota.

A country requesting a lo will be required to demonstr te that (1) it is encountering s rious external financial di culties; (2) it has made fulle appropropriate use of oth resources, as specified abov and (3) its economic polici are consistent with the obje tives of the FSF and inclu the measures needed to redre its external financial situatio The borrower will underta to carry out the policies nee ed to redress its external fi ancial situation over an appro priate period and to fulfill th objectives of the new fund. I economic policies and its o servance of the conditions o which the loan is granted wi be kept under review. Th decision to grant loans will b based on (1) the eligibility o the borrower; (2) the cond tions relating to the borro wer's economic policies; (3 the method of financing th loan; and (4) the basis for de termining the interest rates t be paid to members which pro vide direct financing and to b charged to the funds loane to the borrower.

The decision will require two thirds majority if, follow ing the loan, the member' outstanding borrowing would not exceed its quota, a 9 per cent majority if its out

ding borrowing would be een 100 and 200 per cent s quota, and unanimity s outstanding borrowing ld be in excess of 200 per of its quota. These orities have to be fulfilled in respect of all mem-, excluding the prospec- borrower,, and of the nbers called upon to pro- the financing for the . Members may be mpted for balance of pay-ts reasons from calls for type of financing. se majorities shall include east half of the members he FSF.

ms and conditions

There will be two main hods of financing the loans. first will be through indi-ual commitments, under ch each member called on provides either direct ncing (i.e., a transfer of ds) or an individual guaran- for borrowing by the FSF financial markets (i.e., an lertaking to transfer funds enable the FSF to meet obligations should the loan ich is financed not be re-d on the due date). The ner will be through borrow by the FSF in financial rkets on the basis of a llective guarantee by all mbers (i.e., an undertaking ared by all members to nsfer funds to enable the F to meet its obligations). alls for financing will be pro-rtional to the quotas of the embers called, unless a mem-r agrees to provide a larger oportion, in which case any lditional amount must not ceed its uncalled quota. ll transfers to the FSF in res-onse to calls for financing ill be in the form of actually onvertible currency.

Under the first method ch member has an option provide its share, either by aking an immediate transfer f funds, called direct finan-ng, or by giving an indivi-ual guarantee, on the basis f which the FSF can borrow domestic or international apital markets. The borrow-r will be excluded from the alls for financing; there are lso special provisions under which other members may be exempted from the calls in view of their present or prospective balance of payments situation. Such exemptions will be decided by a two-thirds majority vote prior to the decision on the granting of a loan. The majority must include at least half the members.

A member which provides direct financing will transfer actually convertible currency to the FSF, obtaining such currency in whatever way it chooses. It may, for example, draw on its reserves, or its central bank may apply for a credit from the Bank for International Settlements BIS) or it may borrow from other sources.

Alternative financing

Should the balance of payments situation of a member which has provided direct financing deteriorate, `it will be able to mobilize all or part of its claim on the FSF. For this purpose it can request a loan from the FSF, provided it has first sought to obtain the consent of one or more other members to take over its claim, or to obtain alternative financing by its central bank's receiving a credit from the BIS. The granting of such a loan will be subject to a decision by a two-thirds majority confirming that the member's request is justified on balance of payments grounds and providing for the financing of the loan. The majority must include at least half the members.

If a member opts for an individual guarantee in response to a call for individual commitments, the new fund will seek to raise the requisite resources in international or domestic financial markets, taking due account of market conditions and other relevant factors. If the fund is unable to raise the required amount within a reasonable period of time on terms reasonably comparable to those available to a borrower of good name, or otherwise acceptable, the member which is offering the individual guarantee will allow borrowing by the FSF, after consultation, in its currency (which is to be made convertible) and in its domestic financial market, including borrowing by public institutions, up to the amount covered by its guarantee.

By providing an individual guarantee, a member undertakes to stand behind the obligations of the FSF to lenders. The individual guarantee will cover, in addition to the amount borrowed by the fund under that guarantee, an allowance relating to the payment of interest and other charges on that borrowing. This allowance will involve a drawing on the member's quota, additional to its share of the financing; also for reasons of equity, the quotas of all other members participating in the financing will be drawn on by an additional amount which represent the same proportion of each member's share in the financing, so that their liability to provide further financing is reduced in the same proportion.

Second method

Under the second method of financing, the fund will borrow in financial markets on the basis of a collective guarantee provided by all members. If it is decided to finance a loan in this way, no member will be exempted from participation in the collective guarantee. A member's participation in a collective guarantee means that, upto its share in the guarantee, it stands behind the FSF's obligations to lenders. In addition to guaranteeing to provide the fund, if needed, with resources equal to its share in the total amount borrowed, the member will guarantee its share in an allowance for interest payments and other charges as well as its contingent liability, i.e., the extent to which it backs up other members' guarantees. The contingent liability will be a uniform percentage, up to 50 per cent, of each member's share in the amount borrowed by the FSF and in the allowance for interest payments and other charges. As repayments of principal are made by the FSF in respect of its borrowing, proportional reductions will be made in the allowance and the contingent liability.

Loans will have a maturity of not more than seven years. The rate of interest on loans will be decided in the light of conditions at the time, having due regard to the interest rate paid by the FSF on the related financing, and will not be less than the latter rate. Should the balance of payments situation of a borrower improve substantially, it may be required—by a two-thirds majority vote, excluding its own—to repay all or part of the loan in advance of maturity. A borrower also may take advance repayments voluntarily, on condition that the advance repayment of the corresponding financing provided to the fund is acceptable to the lenders.

The FSF can grant relatively substantial financial assistance to any member in case of need, borrowing in excess of the quota being subject to a decision by a 90 per cent majority or to an unanimous decision but not to any quantitative limit.

Financial arrangement

The financing arrangements allow individual members to choose the method of raising the funds required from them which is best suited to their financial situation and their domestic legal procedures. These arrangements are also sufficient flexible to enable the FSF to adapt its financing methods to the economic situation at the time. If a few members are experiencing external financial difficulties, while the others are able to obtain adequate funds on reasonable terms, financing mainly in the form of individual commitments might be the best response. However, if a few countries are in a strong financial position, and the others are experiencing difficulties, it might be better for the fund to obtain financing by borrowing, on the basis

of a collective guarantee, in the financial markets of the countries in a strong financial position, or indirectly from those countries, by borrowing in international markets.

It takes time to arrange large scale borrowing in financial markets and it may be necessary to wait for the right conditions. Consequently, if there was a need to provide substantial financial assistance without delay, it might be best, in the first stage to call for financing by individual commitments and, at a later stage, to replace such financing by borrowing on the basis of a collective guarantee. There are provisions enabling the FSF to do this.

The practicability of financing, in the initial stage, by individual commitments, will be considerably enhanced by the facilities offered by the BIS. The BIS could give credits to the central banks of members called upon to provide direct financing and under certain conditions, could make loans to the FSF in connection with financing based on the individual guarantees of members.

The fund will have its own decision-making and managerial bodies. Decisions will be taken by the Governing Committee, in which all members of the FSF will be represented by senior financial officials. There will also be an Advisory Board composed of financial officials nominated by members, acting in their capacity as experts. The number of members of the Advisory Board, which will not exceed half of the number of members of the FSF, will be decided by the Governing Committee. The Advisory Board will prepare the work of the Governing Committee with the assistance of the Secretariat. The OECD Secretariate will serve as the Secretariat of the FSF.

TABLE II

Proposed Quotas in FSF

Countries	Percentage of total quotas	Amounts (million SDRs)	Amounts (million US dollars)*
Total	**100.0**	**20,000**	**25,103**
Australia	1.5	300	377
Austria	1.0	200	251
Belgium	2.4	480	603
Canada	4.2	840	1,054
Denmark	1.2	240	301
Finland	0.8	160	201
France	8.5	1,700	2,133
West Germany	12.5	2,500	3,137
Greece	0.6	120	151
Iceland	0.1	20	25
Ireland	0.6	120	151
Italy	7.0	1,400	1,757
Japan	11.7	2,340	2,937
Luxembourg	0.1	20	25
Netherlands	3.0	600	753
New Zealand	0.8	160	201
Norway	1.0	200	251
Portugal	0.6	120	151
Spain	2.5	500	628
Sweden	1.5	300	377
Switzerland	2.0	400	502
Turkey	0.6	120	151
United Kingdom	8.0	1,600	2,008
United States	27.8	5,560	6,978

**As of March 21, 1975.*

Data: OECD

Liaision witn IMF

A representative of the Commission of the European Communities will participate in meetings of the Governing Committee and the and the Advisory Board. The Governing Committee will make appropriate arrangements for liaision with IMF and the BIS and for the participation of representatives of these institutions at meetings of the Governing Committee and the Advisory Board. It is envisaged that the FSF will enter into an agreement with the BIS whereby the BIS will act as Agent of the FSF, for administrative purposes and for the technical arrangements in respect of the fund's borrowing in financial markets.

All the costs of the operations of the FSF will be met out of funds received by it in payment of interest and other charges, including service charges, and not needed for making payments to lenders. The FSF will have a separate juridical personality and will be entitled to the privileges and immunities which are necessary for its transactions.

FSF obligations in respect of direct financing will be denominated either in SDRs or in the currency transferred to the FSF by the member providing such financing, at the option of the latter. In the case of individual and collective guarantees, obligations and the guarantees will be denominated either in SDRs or in the currency or currencies borrowed as decided by the FSF. Loans will have the same denominations as for the corresponding parts of t financing.

In the extremely unlik event of a borrower's bei unable to make a payment the due date, the FSF w obtain the amount requir to meet its obligations lenders, in respect of borrowing in financial mark by calling on the guaranto to provide the funds and drawing on the balance on i income and expenditure a count. It will then meet i obligations (in respect of dire financing or transfers und guarantees) to the membe which financed the loan co cerned, by calling on all mem bers, including borrowers an those exempted from calls f financing; it being an essenti feature of the FSF that th risk on its loans are share between all members. Th multilateral sharing of risk will be based on the obliga tions and claims calculate as if they had been denom nated in SDRs. The differen ces between amounts as de nominated in currency an the amounts calculated o this basis will be carried over to be repaid as a result o subsequent payments by th borrower. or to be settled o liquidation, bilaterally betwee the borrower and the member

Interpretation and amendment

Any question of interpre tation of the provisions of th agreement, arising betwee any member and the FSF, o between members, will b referred to an ad hoc committe of three experts designated b the Governing Committee o the proposal of its Chairma The opinion of the majorit of the ad hoc committee wi normally be accepted by th Governing Committee.

When countries holding least 90 per cent of the quot have deposited instruments ratification, the agreement w enter into force for tho countries. Moreover, if least 15 countries, holding least 60 per cent of the quot have deposited such an instr ment, they may bring it in force among themselves.

—IMF Surv

Foreign collaborations

NG THE quarter October-December, 1974, 73 foreign collaborations were approved by the government. Out of these 59 involved
ical collaboration and 14 involved both technical collaboration and financial participation. The collaborating companies were
Austria (1), Canada (2), Czechoslovakia (2), West Germany (12), France (6), GDR (1), Holland (2), Hungary (1), Ireland (1),
(5), Japan (4), Norway (1), Spain (1), Sweden (2), Switzerland (9), the United Kingdom (12) and the USA (11). The names of
collaborating companies and the items of manufacture are given below:

	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
	2	3	4
		India—Austria	
	M/s Laxmichand Bhagaji Limited, 169 Backbay Reclamation, Bombay.	M/s Miba Gleitlager AG, A-4663 Leakirchen, Austria.	Thin Walled Bearings and Bushings.
		India—Canada	
	M/s Martin & Harris (Pvt.) Ltd, Wallaco St, Bombay 1.	M/s Gulf Oil Canada Ltd, 2020 University Street, Montreal PQH3A2LA, Canada.	Acetylene Black.
	M/s Shri Dinesh Mills Ltd, PB No 65, Padra Road, Baroda-390005.	M/s Albany Feet Company of Canada Ltd, Cowansville, Quebeck, Canada.	Paper Makers, Felts etc.
		India—Czechoslovakia	
.	M/s National Machinery Manfacturers Limited, 81-88, Veer Nariman Rd. Bombay-400020.	M/s Investa of Czechoslovakia	Open End Spinning Machinery.
.	M/s Hindustan Development Corpn. Ltd., 27-Sir R.N. Mukherjee Road, Calcutta-700001.	M/s Vychodeceske Chemiche Zavody Synthesia, Nardoni Podaik, Pardubice Semtin, Czechoslovakia, CSSR.	Hydrocyanic Acid and Cyanides.
		India—West Germany	
6.	M/s Beni Limited, 1, Crooked Lane, Calcutta	M/s Fried Krupp GmbH, 43, Essen I, West Germany.	Alternators with Control Gear.
7.	Mr J.N. Kaile Bunglow No. 236, Sector 18-A, Chandigarh.	Dr. Otto Czerweny Von Arland, 23 Pullach Habenschadenstr. 55, West Germany.	Packing Machinery.
(F) 8.	M/s K.G. Khosla & Co., Pvt. Ltd., Deshbandhu Gupta Road, New Delhi-55	M/s Demag Druckluftechnik, GmbH 6, West Germany.	Wagon Drills.
9.	Mr Vinod Nayar, 23, St. James Court Marine Drive, Bombay-20.	M/s Ralph Model, 8000 Muenchen, 23, Leopoldstrasse 234, West Germany	Readymade Garments.
0.	Mr J.K. Sippy, 6, Kargal Nagar, Jamshedpur-11.	M/s Gutehoffnugshuttee Dterkrade, A.G. 42, Oberhausen Postfach 103, West Germany.	Steam Turbines.
11.	M/s Siemens India Ltd, 134, A. Dr Annie Besant Road, Worli, Bombay-400018.	M/s Siemens AG, Wittedsbacherplat 2, D-8000, Muenchen 2, West Germany.	Motors, Switchgears and Switchboards.
12.	M/s Star Textile Engg. Works Ltd, Apollo Bunder Road, Bombay-400039.	M/s Spindlefabrik Suessen, West Germany.	Fluted Rollers.
13.	M/s A.M.P. Arunachalam, 5 Raman Street, T. Ngr. Madras-17	M/s C. Conradty, Nurnberg, Postfach 480, West Germany.	Various Carbon Blocks and other allied items.
14.	M/s Chowgule & Co. (P) Ltd. Chowgule House, Mormugao Harbour (Goa).	M/s Lurgi Chemic Und Huttentechnik GmbH, West Germany.	Process engineering services etc. for iron ore beneficiation plant.

Contd.

"F" Indicates cases involving financial participation also.

1	2	3	4
15.	M/s Chowgule Metal Industries Limited, 'Chowgule House', Marmugao Harbour (Goa).	M/s Lurgi Chemic Und Huttentechnik, GmbH, Frankfurt (Main), West Germany.	Engineering services etc. for an Ir Ore Pelltisation.
16.	M/s Sahney Steel and Pressworks Pvt. Ltd, A5, Uppal Industrial Estate, Hyderabad.	M/s Maschinenfabrik Weingarten, AG, 7987 Wurtt/Weingarten, West Germany	Notching Machines.
17.	Mr Davinder Singh Sahney, 24 Usha Kiran, Bombay.	M/s Schunk & Ebe GmbH, West Germany.	Electrographitised Carbon Blocks a other Carbon Products.
		India—France	
18.	M/s SLM-Maneklal Industries Ltd, Vatva, Taluka Dascroi, Ahmedabad.	M/s Pinette Emidecau, B.P. 77, Rue Paul Sastier 71103, Chalonsur Saone, France.	Hydraulic Presses for Metal Workin Wood, Plastics, Rubber and oth Elastomers.
19.	M/s Bharat Heavy Electricals Ltd, 18-20, Kasturba Gandhi Marg, New Delhi.	M/s Neyrpic Division of Societe Alstham Creusot Loire, 75, Rue General Mangin, 38100 Grenoble, France.	Pelton Turbines.
20. (F)	M/s Kemen Pvt. Ltd, Opp G.P.O. Mint Road, Bombay-1.	M/s Herckolbout Pernin, SA, France	Spring making machines.
21. (F)	M/s Escorts Limited, 18/14, Mathura Road, Faridabad (Haryana) (EPZ Case).	M/s Campagnie Generale de Radiologie, Paris, France.	X-Ray equipment.
22.	M/s National Machinery Manufacturers Ltd, 81-83 Veer Nariman Road, Bombay-400020	M/s Societe At Sacienne De Consttructions Mecha Niques De Mul House -SACM) 1, Rue De La Fonderic 68054, Mulhouse Laeex, France.	Shuttle-less Automatic Looms.
23.	M/s Bilaspur Paper & Straw Board Mills Ltd, Distt. Chandrapur, Maharashtra State.	M/s Appareils & Evaporate Urs Kestner, 7 Rue De Toil, Lille, France.	Sodium Tripoly Phosphate.
		India—GDR	
24.	M/s Oriental Hydraulics Pvt Ltd, No 15, Karpagambal Nagar, Madras-600004.	M/s Veb Kombinat Umfor Matechnik Erfurt, 50, Erfurt, Schwerborner Str, 1, GDR.	Hydraulic Single Column Presses.
		India—Holland	
25.	M/s Indian Oil Corpn	M/s Frederic R. Harris, Holland	Consultancy Services.
26.	M/s Duphar-Interfran Ltd, F/5, Shivsagar Estate, Dr Annie Besant Road, Bombay-400018.	M/s N.V. Philips' Gloeilampenfabrieken, Eindhoven, Holland.	Isoxsurprine Hydrochloride.
		India—Hungary	
27.	Mr Davinder Singh Grewal, K-55, Connaught Circus, New Delhi.	M/s Nibex, Hungarian, Trading Co, Deptt. 455 POB 128 Budapest, V. Hungary.	Rockroller Drilling Bits.
		India—Ireland	
28. (F)	S. Manmohan Singh, 'Jeevan Vihar Building, 3, Parliament Street, New Delhi-110001	M/s Southern Marine International Ltd, Malahide Shipyard, Ireland.	Ocean going Trawlers.
		India-Italy	
29.	Mr Prem Prakash Chandra, C/o Saraikella Glass Works (P) Ltd, PO Barbabahera, Hooghly (West Bengal).	M/s Ollivetti Vetromeccanica S.A., Italy.	Machinery for glass tubes and rods.

Contd.

"F" Indicates cases involving financial participation also.

	2	3	4
	M/s Dunlop India Limited, 57-B, Mirza Ghalib Street Calcutta-700016.	M/s Industrie Pierelli, SPA, Piazza Duca D'Aosta, Milan, Italy.	Steel Cord Conveyor Belting.
	M/s Tamil Nadu Industrial Development Corporation Ltd, LLA Building, 150 A, Mount Road, Madras-2 (Composite case).	M/s Rivoira SPA, Sede Corse, Belgic, Italy.	Torine. Gas Cylinders.
	Mr. M.L. Nampian, C/o M.G. Automobiles Bellary (Karnataka).	M/s Rejna Industries SPA, 21040 Jerague via Dante Alighieri 51-53, Italy.	Hot Coiled Springs.
	M/s Air Comtrol & Chemical Engg Co Ltd, Raghuvanshi Mills Compound, 11-12, S. Bapat Marg, Bombay.	M/s Italviscosa Eastern Trading, SPA via Meravigli, 18 Milano, Italy.	Man-made Fibre Machinery.
		India—Japan	
	The Maharashtra Cooperative Fertilizers and Chemicals Ltd, 14, Rampart Row, Fort, Bombay.	M/s Hitachi Shipbuilding and Engg Co Tokyo, Japan.	Ammonium Chloride and Soda Ash.
	M/s Indo Japan Veneers, 9/9, Cherotty Road, Calcutta-1.	M/s Nagai & Company, 5-79 6 Chome Toneyama, Toyonaka, Osaka, Japan.	Decorative Rosewood Veneers.
	Mr K.P. Patel, XXX/626-B, Warriam Road, Ernakulam, Cochin-16.	M/s Eidai Co. Ltd, 33 Hirabayashi Minami nochi Sumiyoshiku, Osaka, Japan.	Decorative Veneers.
	M/s Western India Match Co Ltd, Indian Mercantile Chambers, Nicol Road, Ballard Estate, Bombay-400038.	M/s Japan Carlit Co., Ltd, 2470 Handa, Shibukawashi, Gunmaken, 337, Japan.	Sodium Chlorate.
		India—Norway	
	M/s G. Hira and Company, 99, Marine Drive, Bombay-2.	M/s Plastic Export Co Ltd, A/S 6010 Spjelkavik, PO Box 71, Aalesund, Norway.	Expandable Polystyrene Beads.
		India—Spain	
.	M/s Indian Hume Pipe Co Ltd, Construction House, Walchand Hirachand Marg, Ballard Estate, Bombay-400001.	Dr Carlos Curril Carvajal & Dr Ingeniere de Caminos, Canales Y. Puertos Velazgues, 136 Madrid (Spain) (M/s T.O.S.A. of Spain).	Prestressed Concrete Pipes.
		India—Sweden	
.	M/s Repetition Parts Pvt Ltd, L.B. Shastri Marg, Bhandup Bombay-400078	M/s Ab. Alfr Wesstroms Verklygsfabrik, S-19107, Sollentuna 7, Sweden.	Gear Cutting Tools.
.	M/s Facit Asia Ltd, Perongudi, Madras-600096.	M/s Facit AB, Atvidaberg, Sweden	Tyepwriters,
		India—Switzerland	
2.	M/s Spaco Carburettors (I) Pvt Ltd, PO Box No 13, Chinchwasd, Poona-411019.	M/s Associated Indl. Dev. Holding S.A. 8, Rue Canova, Lugano, Switzerland.	Carburettors.
3.	M/s Bharat Heavy Electricals Ltd, 18-20 Kasturba Gandhi Marg, New Delhi.	M/s BBC Brown Boveri & Co Ltd, Baden, Switzerland.	Static Excitation Equipment.
4.	Mr R.K. Rekhi, S. 215 Greater Kailash-I, New Delhi-110048	M/s Teknointer SA, 3 Rue Pierre Fatio, 1204 Geneva, Switzerland.	Pulp and Paper making plants and Paper converting machinery.
5.	M/s T. Maneklal Mfg Co Ltd, Dinshaw-Vachha Road, Bombay-400020.	M/s Benninger Engg Co Ltd, 9240 Uzwil, Switzerland.	Textile Machinery.
6.	Mr A.M. Parekh 32, Nicol Road, Ballard Estate, Bombay-38 (Composite case)	M/s Diamond SA, Switzerland	Sapphire points and replacement stylii.
7.	Mr G.S. Purewal, Kasauli Road, Dharampur (Simla Hills).	M/s Brac Ltd, Breitenbach, Switzerland.	Wrist Watches.
8.	M/s National Engg Industries Ltd, Khatipura Road Jaipur (Rajasthan).	M/s SRO Kugellager Werke, J. Schid-Roost AG, Switzerland.	Spherical Roller Bearings.
49.	M/s Ceat Tyres of India Limited, Bhandup, Bombay-400078	M/s Ceat International SA, Lausanne, Switzerland.	Automobile Tyres and Tubes.
50.	M/s Lakshmi Machine Works, Ltd, S.R.K. Vidhalaya Post, Coimbatore-641020.	M/s Scheweiter Engg Works Ltd, 8810, Hergen (Zurich), Switzerland.	Precision/pineapple cone winding machines.
		India—United Kingdom	
51. (F)	M/s Davy Ashmore India Pvt Ltd, 6A, Middleston Street, Calcutta-16. (Composite case)	1. M/s Davy-Loewy Ltd, Sheffield, England. 2. Ms Loewy Robertson Engg Co Ltd, UK.	Hydraulic Presses etc.
52.	Mr K.R.S. Narayanan, 5/30 Kala Bhavan, Mathew Road, Bombay-400004.	M/s Dunlop Ltd, Dunlop House, Ryder Street, St. James London, England.	Pellet. Sewage End Fittings for Automobile Hose.
53. (F)	Mr A.R. Santhakrishnan, "Kumara Kipa" 62/18 Krishnaswamy Iyer's Avenue, Madras-4. (Composit case)	M/s Alladdin Industries Limited, UK	Soft Ferrites.

Contd.

"F" Indicates cases involving financial participation also.

1	2	3	4
54. (F)	Mr R.M. Ghadiali (Semiconductor Electronics Ltd, C/o Ruttonsha International Rectifiers Pvt Ltd, International House, LRS Marg, Vikhroli, Bombay-400083 (EPZ Case).	Mr Gulu Lalvani, Middlesex, UK	Radios, TV sets, Tape Recorders
55. (F)	Mr V.P. Luthra, 26, Comumnity Centre, East of Kailash, New Delhi (EPZ CASE)	Mr Gulu Lalvani Middeesese, UK	Radios, TV sets, Tape Recorders
56.	M/s Hindustan Zinc Ltd, 6, New Fatehpura, Udaipur (Rajasthan)	M/s ISC Alloys Ltd, Alloys House, PB No 10, St Andrews Road, Avonmouth, Bristol BS-II, OXE England (UK).	Zinc Dust.
57.	Dr Uma Shankar Vajpayi, C-206, Curzon Road Hostel, New Delhi.	M/s Watson — Marlow Ltd, Falmouth, Cornwall UK.	Kydney Dialyser.
58.	M/s B.D.K. Alloy Pvt Ltd, Station Road, PB No. 55, Hubli-580020 (Karnataka)	M/s A.P.V. Puralec Ltd, PO Box No 3, Manor Royal, Crawloy, Sussex RH 102 QD, England.	High Alloy Steel Castings.
59,	Ms Perfect Engineering, 15, Cawasji Patel Steet, Bombay-400001. (CoAposite Case).	M/s Quietflow Engg Ltd, UK	M.S. Surge Arrestors.
60.	M/s Standard Motor Products of India Ltd, 29, Mount Road, Madras-600002.	M/s Triumph Motors—British Leyland, Coventry, England.	Diesel Engines.
61.	M/s Firth (India) Steel Co Ltd, Plot No 3, Road No 22 Thana Industrial Area, Thana 400604 (Maharashtra).	M/s Edger Allen Steels Limited, PO Box No 10, Parkhouse St, Openshaw, Manchester (UK).	Hollow Drill Steel. Rods.
62.	M/s Tensile Steel Ltd, Shah House, Dr Annie Besant Road, Bombay-400018	M/s GKN Somerset Wire Ltd, Castle Works, Cardiff CFI ITQ, Great Britain (UK).	Stabilised Wires.
		India—USA	
63.	M/s OEN India Ltd, 19/88B. Kaloor Road, Cochin 682 018 (Kerala).	M/s Grigsby Barton Inc. an Illinois Corpn of Rolling Meadors, Illinois, USA.	Moulded Relays.
64. (F)	Mr R.M. Ghadiali (Semiconductor Electronics Ltd), C/o Ruttonsha International Rectitifier Pvt Ltd International House, LBS Marg, Vikhroli, Bombay-400083. (EPZ case).	M/s International Rectifier Corpn, Los Angeles, California, USA.	Semi-conductor Devices and Soli State Relays.
65. (F)	Mr P.M. Saggar C/o Delhi Transport Ser- Arambagh, New Delhi (EPZ Case).	M/s Data Products, (Sunnyvale) Inc. California, USA.	Electronic assemblies relating to Digtal Computers.
66.	M/s Hotel Banjara Ltd. Road No. 13, Banjara Hills, Hyderabad-500034 (AP).	M/s Holiday Inns. Inc., 3796 Lamar Avenue, Memphis, Tenn. 38118, USA	Setting up a hotel.
67. (F)	Mr K. Vijay Rao, 7, Lodhi Estate, New Delhi (EPZ Case).	M/s Power Physics Corporation, Industrial Way West, Eaton Town, New Jersey, USA.	Power Semiconductor Devices.
68.	M/s Modi Industries Ltd, Modinagar (UP)	M/s Roblin Industries Inc. Buffalo, New York (USA).	Free Cutting Steel Flats and Sections
69.	Dr Dharam Vir Sood, GPO Box No 602, New Delhi-110001.	M/s Ferro Corporation, Cleveland, Ohio, USA.	Glassfibre and its Derivatives.
70.	M/s Steel Cast Bhavnagar Pvt Limited, Ruvapari Road, Bhavnagar 364001, (Gujarat)	M/s Alloy Engineering & Casting Champaign, Illinois (USA).	Centrifugal Castings and High Allo Steel Castings.
71.	M/s Industrial Cryogenic and Chemicals Plants Ltd, 15, Ganesh Chandra Avenue, Calcutta-1.	M/s Cryogenic Consultancy Service, USA.	Air Separation Plants.
72.	M/s Cardboard Box Mfg Company, 41, Chowringhee, Calcutta-16.	M/s Franklin Key Inc, P.O. 860 Valley Forge, Pennsylvania 19842, USA.	Beam Board.
73. (F)	Mr J.E. Ruttonsha, C/o M/s Ruttonsha International Rectifier Pvt. Ltd., International House, LBS Marg, Vikhroli, Bombay-63.	M/s International Rectifier Corporation, 9220 Sunset Boulvard, Los Angeles, California 90068, USA	Silicon Controlled Rectifiers.

Abstract

1. Approvals involving financial participation:	14
2. Approvals involving only technical collaboration	59
Total	73

"F" Indicates cases involving financial participation also.

ialogue on Reflation

IN HIS ADDRESS to the forty-eighth annual session of the Federation of Indian Chambers of Commerce and Industry, Mr K.K. Birla, its president, hopefully told the prime minister, who was to inaugu- the session, that her "message from this forum which reaches the entire business munity helps to give direction to the national economic effort." Mrs Gandhi res- led by saying that she too desired that these sessions of the FICCI should be much e than a ritual and that they should contribute positively to the economic and social ooses of the community. Her own contribution on this occasion to this objective, ever, was quite modest. It was confined mostly to making a few helpful noises ut selective relaxation of credit for production of mass consumption goods or ex- merchandise and an indication that the government would soon be deciding how relief could be given to industries hit by rise in the cost of capital goods through ropriate fiscal or pricing policies. For the rest, it was largely sermonizing, includ- a considerable element of the devil quoting scripture.

Ignoring the fact that she was presiding over a government which has been con- ently profligate in the spending of the taxpayer's money or other national resources, prime minister chose to preach the gospel of thrift and good husbandry to the pri- e sector. This is not to argue that the business community can do without good ad- e on this subject, but it was certainly a bit too thick for the prime minister to argue t the government's alleged 'self-restraint'—which was the word she elected to em- by — needed to be protected from being neutralized by the spendthrift use of bank dit by the private sector. It was even more cynical on the part of Mrs Gandhi to try to the blame on entrepreneurs and industrialists for the poor response of the capital rket to investment projects. She tried to make it appear that the more prominent dustrialists at least could mobilize more resources for industrial expansion if only they ould exercise their gifts of imagination, enterprise or energy. It is possible for the busi- ss community to be grateful to the prime minister for this implied admission at least the potential worth or usefulness of the much-maligned larger business houses. But is apart, there can only be widespread regret that the prime minister had so clumsily d completely ignored the bearing of the government's fiscal and other economic poli- es on the ability or the willingness of the capital market to do its part. There can be tle hope of a return to sanity in the government's management of the nation's economy ntil and unless the prime minister and her colleagues in charge of the major economic inistries are prepared to develop enough intellectual integrity and political courage to alize and declare openly that the government's own policies for industry over the years ave been leading the economy to a dead end.

That moment of truth may not arrive in a hurry. Meanwhile it is not surprising at the government should be quite unable to appreciate the gravity of the recession in e economy. It is true of course that businessmen, by the very nature of their busi- ess, should be more anxious about recession than worried over inflation. It is true, oo, that public opinion should normally be highly sensitive to inflation. All this, owever, cannot justify the government's lack of concern with the reflationary needs f the economy. Granted that inflationary pressures are yet to be mastered in any neaningful sense, it surely does not follow that the suppression of aggregate demand ould be given precedence indefinitely over the nursing of investment and production unless, of course, the country is prepared to countenance the further build-up of nemployment or mass poverty. Businessmen, even as politicians, must do their daily grind of special pleading. Even so Mr K.K. Birla, surely, was on firm ground when he pointed out that production should be given its proper place in the order of national priorities, whereas the prime minister only indulged in casuistry when she placed the financing of the industry's ways and means by bank advances with resort to deficit financing by the government. Here she has chosen to overlook the fact that whereas deficit financing has been seen to grow by what it feeds on, the use of bank credit for

eastern ECONOMIST

MAY 2, 1975

production results in an increase in the volume or flow of goods and services in the economy. Mrs Gandhi no doubt has a point when she says that bank credit should not expand in excess of genuine savings of the community. Only, this realization seems to be rather inconsistent with the extravagant use the government itself has been making of bank advances for meeting the needs of working finance of several government or semi-government agencies the operations of which are, to a large extent, unproductive.

In any case, the government's own declared objective of the proper husbanding of the country's real resources, including the funds with the banking system, could only be achieved through carefully tailored matching of available facilities with admitted needs. In the sphere of bank credit this should surely call for much more deliberate credit planning than has been in evidence so far. The rule-of-thumb approach has no doubt served an immediately useful purpose in assisting the country to cope with inflationary pressures, but it has now become necessary for the government's monetary policy to assume more detailed or sophisticated responsibilities. The indications which the prime minister gave of prospective credit relaxation on a selective basis could no doubt spell a step in the right direction, but the risk is that in this, as in other matters, the government may only concede too little too late. It is for this reason that the importance of a production-and-investment-oriented strategy has to be kept before the nation clearly and firmly in all public debates even while reasoned support continues to be extended to such measures as the government has taken already or may take in future for containing inflation and promoting relative stability of prices. A dialogue on reflation should therefore be a shared interest of government and business.

Public sector and its profits

THE LONG night of growing losses in the public sector undertakings seems to have come to an end. Whereas the working results of the industrial and commercial undertakings of the central government—114 in number — showed a profit (after tax) of Rs 15.99 crores only in 1972-73, the quantum of profit in 1973-74 multiplied almost four times to Rs 64.42 crores. According to Mr P. J. Fernandes, Director General, Bureau of Public Enterprises, the net profit was expected to be more than double at Rs 150 crores in 1974-75, and about Rs 200 crores in 1975-76. Undoubtedly this was an encouraging trend but it would be worthwhile examining how far it was due either to efficient working of the units or to fortuitous circumstances, or both.

Discussing the profitability of the public sector undertakings last year, *Eastern Economist* (issue dated May 3, 1974) had remarked that the accumulation of inventories in 1973-74 would certainly add to the profitability of these undertakings because the prices of raw materials had risen steeply in that year. At a press conference held in the capital on April 21, 1975, Mr Fernandes was reported to have stated that the performance and the consequent profitability of these units had improved considerably not owing to the increase in prices but due to the reduction in inventories and improved management practices. In support of this viewpoint, he cited figures regarding the inventory level in terms of the number of months' output which dropped from 5.7 in 1971-72 to 4.4 in 1972-73 and further to 4.3 in 1973-74. However, the fall in inventories in relation to output did not prove that the rising prices had not inflated the value of inventories. This point might be explained with reference to figures.

The total output of the undertakings in 1972-73 was valued at Rs 5,006 crores while the inventories at the end of the year were placed at Rs 1,834 crores. In 1973-74, output rose to Rs 6,984 crores and inventories increased to Rs 2,518 crores. It was not clear what proportion of the increase in inventories by Rs 684 crores in 1973-74 was due to physical increase and what was due to the increased prices of inventories held at the end of 1972-73. Prices in general rose by more than 25 per cent in 1973-74 over 1972-73. Even if we assumed a rise in the prices of inventories at 10 per c then the inventories held at the en 1972-73 got inflated by Rs 183 crore more than the gross profit of 1973-74.

Assuming that the inventories at end of 1972-73 were fully utilised in succeeding year (which however wa remote possibility) and the inventorie the end of 1973-74 related to purchase that year, then it could be assumed inflation had no impact on upgrading ventories in value terms. However, utilisation of inventories acquired till end of 1972-73 for the manufacture goods in 1973-74 must have inflated s because the prices of finished prod must have been raised keeping in view rise in prices of raw materials. If h ever it was claimed that the undertaki purchased raw materials at enhanced pr but sold manufactured goods at old, prices, then it surely was bad business. whatever way this problem was examin it was hard to believe that the rising pr had not assisted the public sector und takings in improving their profitabil At best it could be accepted that onl part of the increase in profits was due rise in prices, the balance being the o come of improved management. Howev the thesis propounded by Mr Fernan that the return on capital employed wo be raised from 5.2 per cent in 1973-74 12.5 per cent by the end of the fifth fi year Plan period sounded plausible in vi of the determined efforts being made various levels to cut out losses ruthlessl

The fact which needed to be apprecia was that the Bureau of Public Enterpri had realised the importance of upgradi efficiency of these undertakings and the st taken up by it were indeed well thou out. Training courses at the unit level h been organised, import substitution w encouraged (there was a saving of Rs crores in foreign exchange in 1973-7 the procedures for import were streamlin the guidelines for procedures had be issued and depth studies in regard to t working of the enterprises had been und taken. In addition the following ste had been taken to improve the worki of these undertakings:—(a) the princip of integrated materials management h been accepted and organisations in mo units had been restructured accordingl

orms of performance had been set y top management and management mation system was so designed as ake monitoring at appropriate level ular feature of management function; nproved materials management tech-es had been adopted; (d) efforts were g made towards determining surplus, lete and slow-moving items and their dy disposal; (e) special cells had been up for import substitution, ancillary lopment and monitoring; (f) effective munications with other units were g developed. All these measures are cted to bring about a sea-change in working of these undertakings most of ch started their lives like sick ies.

he impact of these improved practices already been witnessed in the capacity isation of the major units in 1974-75 in ation to 1973-74. The steel mills, with exception of the Rourkela plant, had up a good performance with utilised pacity improving from 76 to 80 per cent Bhilai, 49 to 51 per cent in Durgapur and to 79 per cent in Alloy Steel Plant in urgapur. All the units of Hindustan nc Ltd had recorded sharp rises in the ilisation of capacity. A similar trend had en witnessed in the case of Coal Mines uthority of India Ltd, Bharat Coking oal Ltd, National Minerals Develop-ent Corporation, Indian Oil Corpora-on and refineries at Madras and Cochin. the fertiliser units at Madras and Nan-al had not been able to keep pace with e general improvement in capacity utili-ation, it was mostly due to power shor-ge. With the easing of the power situa-on, these units would no doubt improve eir performance.

The public sector undertakings in fact ntered a new era in 1972-73 with the emer-ence of a small net profit. However, it vas not known as to how long these under-akings would take to eliminate the dead weight of accumulated losses which were as high as Rs 778.55 crores at the end of 1973-74. With total capital employed at more than Rs 7,000 crores, the past deficits formed only 10 per cent of it. It followed that these undertakings could wipe out their losses (after paying taxes) in two years if the rate of return was around 10 per cent. Having crossed the first major hurdle — that of eliminating yearly working losses — the second one should not take long to be got rid of.

The profit and loss accounts of these undertakings for 1973-74 showed that there were 72 of them which had recorded profits while as many as 42 had incurred losses. The highest profit (before tax) had been witnessed in the case of Minerals and Metals Trading Corporation Ltd at Rs 36.16 crores, followed by Indian Oil Corporation at Rs 30.81 crores, Bharat Heavy Electricals Ltd. at Rs 27.00 crores, Oil and Natural Gas Commission at Rs 24.48 crores, Shipping Corporation of India Ltd at Rs 14.88 crores and State Trading Corporation Ltd at Rs 13.93 crores. All others had gross profit of less than Rs 10 crores each.

Among the losers of money, the pride of place went to Coal Mines Authority of India Ltd at Rs 14.99 crores, followed by Neyveli Lignite Corporation Ltd at Rs 12.16 crores and Bharat Coking Coal Ltd at Rs 10.33 crores. Losses in the case of the remaining 41 undertakings were of the order of less than Rs 10 crores each. The gross loss of all these units was Rs 96.07 crores as against the gross profit of all the 72 money-makers at Rs 244.75 crores. Since capacity utilisation in both the Coal Mines Authority Ltd and the Bharat Coking Coal Ltd had improved in 1974-75, the quantum of loss by the losing undertakings in that year was likely to be considerably reduced.

Exports are not for squeezing

India's import policy for 1975-76 provides many incentives and facilities to manufacturers to increase and diversify their exports. But the policy will have the desired effect in this direction only if credit is made available to exporters adequately, in time, and on competitive terms. In recent months, several export industries as well as export promotion councils and similar bodies have been urging on the government and the Reserve Bank to relax the credit restrictions but this plea has had little effect.

Even the jute industry's repeated requests to the authorities for sufficient credit did not meet with prompt response. In December 1973, the Indian Jute Mills Association had said that the total bank credit granted to the industry was of the order of Rs 95 crores, made up of Rs 50 crores against finished goods and stores and Rs 45 crores against raw jute stocks, which was said to be "grossly inadequate" compared to the annual turnover of the industry of roughly Rs 375 crores and the volume of the jute crop worth Rs 225 crores. In the subsequent months also the jute industry drew the attention of the government to the need to sanction more credit but it was only in the middle of April this year that the Reserve Bank decided to adopt a helpful attitude.

The Reserve Bank has now permitted banks which have been involved in financing the jute industry to increase the credit limits of individual mills to cover nine weeks' production compared to the current limit of six weeks. Besides, the Reserve Bank has allowed the banks to sanction advances even in excess of this limit after getting its approval. This relaxation though belated and inadequate is welcome. But what about the credit requirements of other export industries?

Some time ago, the Federation of Indian Export Organisations had suggested that certain groups of non-traditional industries should be exempt from the operation of the credit squeeze. These included engineering goods, chemicals and related products, plastics and leather manufactures. The federation had pointed out that, besides the delay and difficulty in getting raw materials, exporters had to wait from 30 to 60 days for getting their shipping facilities; and it had proposed that for exporters of these groups, the 90 days' period for pre-shipment credit should be increased to the original 180 days. The federation had also suggested that there should be no discrimination between the eastern

and the western hemispheres in granting post-shipment credit.

The Engineering Export Promotion Council has also highlighted the difficulties in augmenting exports due to the paucity of credit. Dr B. V. Bhoota, the then chairman of the Engineering Export Promotion Council, said at its annual general meeting held in New Delhi on March 14 this year, that the council's export efforts received "a serious set-back during the last few months because of the very rigid credit squeeze policy adopted by the government of India". He observed that the reduction of packing credit period from 180 days to 90 days and the overall shortage of funds had produced "a dampening effect on all the exporters". He observed: "One fails to understand how, for engineering items where the production time is long compared to other simple items the time limit is 90 days. They have had serious difficulties in giving even bid bond and performance guarantee. The post-shipment finance also has been extremely difficult. Some of the developing countries have launched upon a massive development programme for rehabilitation of their existing industries such as sugar and textiles. Indonesia alone, for instance, offers scope for Rs 25 to 30 crores worth of textile and sugar machinery per annum from India. The biggest handicap has been the absence of adequate financial help from the banks for giving bid bond, packing credit and post-shipment credit".

The Report on Currency and Finance 1973-74, issued by the Reserve Bank, seems to create an impression that credit is being made available adequately for export purposes. The report says: "In line with the increase in the total value of exports, bank credit for exports showed an impressive rise of Rs 228 crores or by 49 per cent in 1973 as compared to a nominal rise of Rs 2 crores in 1972. Of the increase in the export credit during the year, Rs 133 crores was accounted for by pre-shipment advances and the balance by the post-shipment advances (Rs 95 crores). Export credit accounted for 10.3 per cent of the total credit (excluding food procurement advances) in December 1973 as against 8.5 per cent in December, 1972". Apart from the fact that these data relate to 1973, the experience of the jute, engineering and other industries, as indicated above, shows clearly that even the export sector is being denied sufficient credit.

The Economic Survey for 1974-75, issued recently by the Finance ministry, has said that "there have been complaints from exporters that banks were not according due priority to export credit which, it is hoped, will be corrected in terms of the current busy season policy". The government should therefore ensure that the credit curbs do not hurt export promotion. But it is not enough if only the export-oriented industries are exempted from the squeeze. It is also important that credit is made adequately available for all productive activity. If this is not done, industrial production cannot gather momentum and it will not be possible for the country to generate sufficient surpluses for export.

Export opportunities for Indian goods during 1975-76 seem to be bright in many parts of the world. The Engineering Export Promotion Council has said that "if a determined effort is made, the oil producing countries in west Asia and north Africa can easily give us Rs crores in 1975-76 itself" and that so east Asia and Africa can provide Rs crores in the same period. It is clear whether these estimates have made after detailed market surveys studies. In any case, these regions certainly absorb a much larger vol of our engineering and other kinds products. In regard to the countrie west Europe and north America, immediate prospects for our export not seem to be encouraging. Ne theless, these markets should conti to receive our close and constant at tion since their economy is expected recover by the end of the current year

The Finance ministry has rece observed that engineering goods chemicals and allied products must p vide "the main motive force fo rapid growth of our exports." ministry has estimated that if it can ensured that exports on balance more profitable than domestic sal "we can easily bring about 20 to per cent annual growth in the export engineering goods''. New Delhi the fore should review its credit policy a make sure that it not only does not i pede production and exports but po tively helps to promote these activities

Needed : credit planning

THERE IS SO much talk about the need for continuing curbs over the grant of fresh credit that there is reason to doubt that the authorities concerned realise at all that current policies are having a restrictive effect on production and an inflationery impact on costs. It is therefore comforting to note that the Governor of the Reserve Bank, Mr S. Jagannathan, addressing the Bankers Club in Madras recently, was candid enough to admit that there had been a slowing down in the build up of inventories and with a downward trend in prices there was no disposition to lay in additional stocks. He also emphasised the need for expanding credit for productive purposes though he was not quite clear about what he had in mind about the level of lending rates, and the need to reduce the spread b ween these rates and deposit rates.

The Finance minister, Mr C Sub maniam, has also observed that the poli of credit control should be continued some time though he was indicating at t same time that credit should not denied for productive purposes and ev the large business houses should be help to raise output and make better use existing capacity. The managements industrial units and experts in mon market circles are however unable understand the thinking of the moneta authorities and are enquiring why the has been no attempt at coordination the moves of the ministries of the centr government and officials in the Reser Bank and the lending institutions. T stage has arrived where there has to be careful review of the developments the past few months in industry a trade for a better understanding of t

trends that are emerging in market- nd distribution.

ven with a high level of inventories e State Trading Corporation, Steel hority of India, Hindustan Steel, erals and Metals Trading Corpora- and the Food Corporation, advances ne scheduled commercial banks have by only Rs 958.86 crores to 8664.17 crores, between October 1974, and April 11, 1975. In the cor- onding period in the last busy season e advances were higher by Rs 1031.78 es at Rs 7534.76 crores. Excluding big bulge in food credit to the extent Rs 347.34 crores and including the ease in the outstanding amount under bill market scheme gross non-food dit rose by only Rs 685.95 crores ag- st as much as Rs 1127.54 crores. In twelve-month period ended April 1975, the expansion of credit of mem- banks was Rs 1129.47 crores.

No reliable estimates are available about funds locked up in massive imports of ermediate chemicals, non-ferrous tals, steel, fertilisers and other items. t it can be roughly guessed that at st Rs 350 crores would have been im- bilised by excessive stocks and the rmal growth in advances in a twelve- onth period was only about Rs 775 ores which is much less than the pace credit expansion in the previous elve months. What has happened erefore is the liberal use of funds for vering up the mistakes of the trading rporations of the government. If it is rne in mind that food credit also has sen by Rs 210 crores in the period der reference, normal credit was un- ly restrictive for other purposes.

The policy of restricting credit limits d charging usurious lending rates is tually hurting industrial units as the ays and means position is difficult even ith the retention of a larger proportion f current earnings and the acceptance f sizeable amounts by way of deposits nd unsecured loans from the public. The jute mills are complaining about an ccumulation of stocks of gunnies on ccount of a slump in overseas demand while the textile industry is witnessing an nusual accumulation of cotton textiles nd yarn and even of synthetic fibres. The fertiliser units are having their silos full of organic manures and it has not been possible to take delivery of incoming stocks of rock phosphate, sulphur and other items. The sugar industry is complaining about heavy accumulation of stocks and lack of adequate credit in spite of the announcement by the government that sugar mills should be given priority in respect of fresh credit and helped to reduce arrears of payments against cane purchases. Sugar stocks alone have risen in the six months ended March 1975 by nearly two million tonnes involving the use of funds for nearly Rs 400 crores on the basis of cost of production.

Between the jute and cotton textile mills the additional amount involved may be easily Rs 100 crores and in respect of fertilisers and other items another Rs 100 crores. As aggregate non-food credit has risen in the current busy season upto April 11, 1975, by only Rs 686 crores, it is clear that the needs of borrowers in the sugar, jute, cotton textile and fertiliser industries have not been fully met and but for the anxiety of engineering, petro-chemical, pharmaceutical and other industries to reduce their inventories, the position would have been more critical than it is now.

The Reserve Bank should not have any difficulty in assessing the changes in trends in advances if only it can find out how additional credit has been utilised by the state trading and other corporations and what is the new demand created by a record output of sugar or an unusual accumulation of stocks of cloth and yarn. With the profitability of working of the sugar and textile units also affected seriously by a slump in prices and increase in costs, the sugar producers have not been able to effect payments to the cane growers while textile units have been experiencing difficulty in making fresh purchases of cotton even with a drop in open market prices.

The Textile Commissioner has actually authorised the managements of textile units to lay in additional stocks of long-staple and other cottons. But the norms laid down by the Reserve Bank provide for a much lower level of stocks so that mills are unable to acquire cotton even when their stocks are low.

It will therefore be clear from an analysis of the trends in industrial production and the inventories of state-owned trading corporations that the bulk of additional credit has been extended for financing unwanted inventories of non-ferrous metals, steel and chemicals. The central government also has been anxious to finalise its year-end adjustments and present a better picture of its budgetary position. In this process stocks of imported foodgrains and fertilisers have been transferred to the account of the Food Corporation and the state governments and the big rise in procurement credit in the past few weeks is due not to any spectacular success of procurement operations but to transfer entries. There has of course been no large outgo of funds from the banking system as a result of the bulge in food credit though the Food Corporation might have effected some payment to the central government against its earlier obligations.

The Reserve Bank has a special obligation in the present context for bringing about realistic changes in its credit policy and for ensuring that massive procurement in the next three months does not have deleterious effects in other directions. If the estimates of a record crop of 27 million tonnes of wheat turn out to be correct the procurement target of 5.5 million tonnes can be easily exceeded. If additions to buffer stocks require an extra Rs 400 crores in the next three months the lending institutions should be allowed to use refinance facilities fully. It is likely that the pressure on the banking system will continue in evidence till the end of July as the position will ease distinctly only with a big reduction in sugar stocks, brisker off-take of textiles and a lowering of inventories of the trading corporations of the government. The monetary authorities will be aiding industries in their efforts to boost their output if credit limits are suitably revised and lending rates also lowered. The policy of dearer money and restrictive credit has been pursued for longer than necessary and its continuance on an unimaginative basis will do more harm than good.

Punjab, Haryana ahead in agriculture

SPECTACULAR progress in the field of agriculture has made Punjab and Haryana capable of contributing more than 75 per cent to the foodgrain surplus generated by all the states. The budgets of these two states for 1975-76 presented to their respective assemblies recently confirm their accent on agricultural development. Mr Hans Raj Sharma, Finance minister of Punjab, asserted in his budget speech that all possible sources were being tapped to ensure adequate supply of inputs for agriculture. The state, he emphasised, was able to provide additional power and double the quantity of diesel allocated during the previous year for the efficient running of tubewells. A massive training programme for farmers was organized in which about 100,000 farming families were imparted training in the improved techniques of agriculture. Chemical fertilizers and improved varieties of seeds were made available through cooperative societies.

Punjab can rightly take credit for being the first state in the country to have set up small farmers' development agencies and marginal farmers' and agricultural labourers' agencies in all its districts and given special attention to the amelioration of the plight of these sections of society. As a result a record crop of about 2.15 million tonnes of foodgrains was harvested in the state during the khariff season of 1974 as against 2.05 million tonnes a year before.

To meet all these commitments, the revenue budget of Punjab has proposed an expenditure on agricultural and allied services to the extend of Rs 21 crores. Provision for irrigation and hydraulic power development has been placed at a little more than Rs 17 crores and on cooperation around Rs 2.6 crores.

The state of Haryana's stress has particularly been in the field of irrigation to free a large area in the north-west of the state from recurring droughts, Mr R.S.C. Mittal, the state Financc minister therefore, emphasised that irrigation and power were proposed to be pushed through 'with renewed vigour and at whatever cost'. The budget for 1975-76 has several proposals involving an expenditure of Rs 13 crores during the year which ultimately would provide irrigation facilities to over one million acres of cultivable land. These irrigation schemes include the Western Yamuna canal remodelling project, the Gurgaon canal project, the schemes for improving capacities of Jui canal and Bibipur lake. Moreover, new projects, such as the Sutlej Yamuna link, Tajewala barrage and the Nangal lift irrigation scheme have also been included in the programme. The Minor Irrigation and Tubewell Corporation is actively engaged in drilling deep as well as shallow tubewells and lining water courses. For these programmes substantial funds have also been obtained from various financial institutions.

Haryana takes pride in its extension programme which has been remarkably successful. The state has been able to popularise the use of fertilizers rapidly so that their annual consumption has reached nearly 157 kg. per hectare of cultivated area as against nearly 18 kg. in 1966-67. The state is also pursuing a programme of mass contacts with the agriculturists with the help of Haryana Agricultural University in order to disseminate knowledge concerning improved practices in agriculture. Apart from getting in touch with 5,000 villages, as many as 1,000 demonstrations were arranged. Nearly 900,000 quintals of high yielding varieties of seeds were used bringing nearly 1.4 million hectares of area under such varieties against only a fraction of such area a few years back. Mr Mittal also pointed out that in recognition of the pivotal role that the agricultural university is likely to play in view of the far-reaching changes in agricultural technology, the second campus of the university has been established in Kurukshetra, where a college of agriculture has already started functioning.

While the two states have done equally well in agriculture, their fortunes vary in the field of industry. Haryana claims to have several large sized indu[s] units particularly in the Faridabad [com]plex which is close to Delhi and lie[s on] a highway. Consequently, in his bu[dget] speech, Mr Mittal highlighted the [fact] that though energy femine had affe[cted] the industries adversely, the Har[yana] government was not being influence[d by] this momentary situation. The state [was] trying to maintain the tempo of inv[est]ment through the provision of in[fra]structure in the areas earmarked for [ra]pid industrial growth. In this con[text] the Haryana State Industrial Devel[op]ment Corporation was also engaged [in] the establishment of industrial proje[cts]. The corporation, through subsidi[ary] companies, or as a result of collabo[ra]tion agreements, has played an act[ive] part in the establishment and executi[on] of projects such as the brewery at M[ura]thal—which went into production [in] 1974—a mini steel plant at Hissar a[nd] a synthetic detergents project, wh[ich] are well underway and are expected [to] be commissioned in the near futu[re]. Other projects on the anvil are a ta[n]nery, the manufacture of glass bottl[es], sponge iron, T.V. sets, walkie talk[ies], nylon filament yarn, rice husk boa[rd], caustic soda and nitrate cellulose.

The Punjab state, on the other han[d] has essentially been industrialised on t[he] basis of small scale units, with co[m]paratively few units in the large sca[le] sector. The state has proposed to spe[nd] Rs 7.87 crores during 1975-76 to e[n]courage industrial development as again[st] Rs 6.75 crores proposed a year befor[e]. The state government is keen to devel[op] infrastructure for large scale units a[nd] proposes to remove the obstacles whic[h] come in the way of the entrepreneu[rs] wanting to invest in the state. The bu[d]get also proposes an expenditure of [Rs] 2.80 crores during 1975-76 for the dev[e]lopment of 850 acres of land for t[he] establishment of industries at foc[al] points. The state government itself ha[s] established some new large and mediu[m] industrial undertakings in the publ[ic] sector as well as in the joint sector, i[n]volving an investment of Rs 61 crore[s]. Mr Sharma asserted that these effor[ts] constituted the basis for further mobi[li]zation of institutional finance.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Plan Exercise • Heavy Water Projects • Cement Production • Space Programme

HE PLANNING Commission is understood be engaged in a fresh look at the urrent five-year Plan which was launched ıst year but which has yet to be finally ed up. The last draft of this plan, hich had been formulated on the basis f the 1972-73 prices and in the context f the economic situation prevalent at ıat time, it is felt, may have to undergo ubstantial changes in view of the sharp ise in prices in the internal market, the purt in global inflation and near-quadrupling of crude oil prices during the ast two years. The unprecedented lomestic inflation during the 12 months o September last year—nearly 32 per cent—no doubt, has been controlled to a great extent, as the price level in March last was just seven to eight per cent higher than the March, 1974 level, the situation, it is pointed out officially, does not call for relaxation of anti-inflationry measures.

receding global prices

So far as global prices are concerned, no doubt the prices of some important and strategic raw materials such as non-ferrous metals, steel and foodgrains, have tended to recede from dizzy heights they had attained early last year, crude oil prices continue to rule high. Even though the posted prices have been reduced somewhat by some of the west Asian oil exporting nations, the impact of this has been negative by the increase in royalties and and taxes, The exercise that is currently being carried on by the Planning Commissson will take into consideration all these factors and is expected to determine the changes necessary not only in the overall size of the Plan but also in the composition of the detailed programmes.

The current year's Plan, which is also being finalised, it is learnt, will be aiming at an overall economic growth of 4.5 per cent, as against an estimated achivement of not more than two per cent last year. Industrial production is envisaged to be raised by about eight per cent. In the agricultural sector, a growth of at least 4.5 per cent is aimed at.

critical sectors

As already indicated by the union minister for Finance, Mr C. Subramaniam, in his budget speech on February 28, the outlays on the development of power, irrigation, fertilizers and similar other critical areas of the economy are being stepped up a great deal. Besides, the Planning Commission has suggested to the central ministries that they should make in their current year's Plan clearcut distinction between quick-yielding projects and projects which have longer gestations periods. The emphasis appears to be on the utilisation of existing production facilities to a fuller extent than has been the case in the recent past. Top priority is being provided to the new schemes if they have gathered momentum. The state governments have been asked to make careful and accurate assessment of their resources so as to ensure adequate funds for agricultural development. Even in the core sectors, it is felt, some priorities may have to be introduced. The current year's Plan is expected to be ready shortly.

* *

The implementation of all the four new heavy water projects at Baroda, Kota, Tuticorin and Talcher is running considerably behind expectations. When completed, they would be producing annually 315 tonnes of heavy water.

The Baroda project, which was earlier scheduled to go into production by the end of 1973, is now expected to be commissioned some time during the current calender year. Based on the ammonia-hydrogen exchange process developed by a French consortium, it will be having a capacity of 67.2 tonnes per annum. It is to be linked to the synthesis gas stream of the Gujarat State Fertilizer Corporation. To augment the synthesis gas production and thereby the output of heavy water, an additional plant for the production of 100 tonnes per day of ammonia synthesis gas has been put up by the GSFC. The main commissioning tests of the various units of this heavy water project are currently in progress.

The Kota project. which is based on H_2S—H_2O exchange process and will be utilising steam and power from the Rajasthan atomic power station, was to go on stream by December, 1974. It is now expected to be ready only by the end of 1976. This project will have a capacity to produce 100 tonnes of heavy water per annum.

Tuticorin project

The Tuticorin project, which will be similar to the Baroda plant but will have a capacity of 71.3 tonnes of heavy waters per annum, was originally scheduled to go into production by the end of 1974. Its new completion date is March, 1976. This project is being set up as an adjunct to the fertiliser plant of M/s Southern Petro-chemical Industries Corporation.

The delays in the completions of these projects are attributed to various factors, the more important among them being the difficult supplies of construction materials and the late receipts of some pieces of equipment and machinery. Financial constraints too are said to have caused some delay.

The Talcher project, which is to be set up with assistance in engineering, supply of equipment, machinery and materials as well as supervision of erection from M/s. Friedrich Uhde, West Germany, was to go on stream in early 1976. It is likely to be delayed considerably owing to the recent loss of

two of its towers and damage to the third tower and some other equipment during shipment. The revised schedule for the completion of this project is yet to be worked out. Its capacity is envisaged to be 62.7 tonnes per annum. The process to be adopted here is the bithermal NH_3—H_2O exchange developed by Friedrich Uhde. The project will use the synthesis gas stream of the ammonia plant being set up at Talcher by the Fertilizer Corporation of India.

Nangal facility

Currently, heavy water is being produced in the country at Nangal to a capacity of about 14 tonnes per annum. Due to severe power restrictions in the recent years, this capacity, however, is not being fully utilised.

The slippage in the commissioning of the new heavy water projects, of course is not likely to create any great problem since the programme to augment atomic energy generation facilities itself is considerably running behind the original schedule. Presently, we have in operation two units of the Tarapore atomic power station which have capacity to produce 380,000 Kws electricity and one unit of the Rajasthan atomic power station whose capacity is 200,000 Kws. The second unit of the Rajasthan project (200,000 Kws capacity) is yet to be completed. All the major equipments of this unit have been installed, but test trials have yet to be taken up. The first unit of the Madras project, which was expected to reach criticality in July 1976, may not do so for another 12 to 18 months as Canada stopped supplies of some equipment after our first nuclear explosion last year. This project will have 400,000 Kws capacity. The fourth nuclear power station at Narora, which according to the original schedule was to be completed during the current Plan period, is now expected to go on stream only some time in 1980 or 81. Its capacity will be 500,000 Kws.

* *

In view of the encouraging export prospects and also to facilitate the growth of the domestic economy at a rate higher than that of last year, an all-out effort is being made to raise the production of cement this year to 18 million tonnes. This will mean the utilisation of the existing production facilities to as much as 90 per cent. Last year, the output did not exceed 14·7 million tonnes.

Close coordination is being effected between the cement industry, on the one hand, and the railways and the Coal Mining Authority, on the other, to see that not only there are no bottlenecks in the movement of raw materials to the cement plants but also the end-product is moved to the consuming centres or the export points as expeditiously as possible. Individual cement plants have been asked to send to the Department of Heavy Industries their programmes to achieve the above objective and also to identify the bottlenecks which they are experiencing in the utilisation of their capacities to the optimum levels. A regular monitoring of production is being carried on at present by the Department of Heavy Industries.

* *

The Indian Space Research Organisation (ISRO), which launched its first satellite — "Aryabhatta" — into space on April 19 with Soviet assistance, is expected to have its own launch vehicle by 1977-78. A four-stage launcher is being currently developed by the organisation.

Revealing this to newsmen here last week, the Chairman of the Indian Space Commission, Dr S. Dhawan, observed that the space organisation intended to utilise the services of 35 to 40 industries for the manufacture of the launch vehicle. It did not propose to do everything itself in the interest of reducing the manufacturing cost as low as possible. Quality control, however, would be the exclusive responsibility of the space organisation.

planned modifications

Dr Dhawan indicated that India's second satellite, which had also been produced along with the first one, was proposed to be launched in about two years, taking advantage of the Soviet Union's initial offer of making available two launch vehicles for ISRO's programme. It was proposed to fully study the data being transmittded by Aryabhatta so that some modifications could be made in the second satellite.

Unlike the first satellite, which had a payload of scientific instruments, the second satellite, Dr Dhawan added, would have some packages for resources survey also, which, along with mass communication, was the other major objective of ISRO in terms of its ten-year profile of activity.

The Soviet Union, Dr Dhawan revealed, had not only provided the launch vehicle for Arybhatta but had also made available some critical pieces of equipm[ent]. The Soviet experts had also been con[sul]ted in the designing and drawing of [the] first Indian satellite, but the fabricat[ion] job had been accomplished by only Indian scientists. Collaboration and c[on]sultations with the space organisati[ons] of the other advanced countries were [not] ruled out in the future space program[me]. In fact, some discussions had been h[eld] with these space organisations in the p[re]paration of the first satellite also. [The] date for the launching of the second sa[tel]lite, Dr Dhawan disclosed, would be fi[xed] in about three months.

Dr Dhawan estimated that the f[irst] satellite had cost about Rs 2.5 crores, [ex]clusive of the assets and the infrastruct[ure] built up over the years but which co[uld] be used for making the future spa[ce]craft.

spin-off to industry

Although Dr Dhawan expressed the vi[ew] that owing to the limitations of financ[ial] resources, the Indian space research p[ro]gramme would have to be quite mode[st] compared to these programmes of the a[d]vanced countries, the country could der[ive] a good deal of advantage from it throu[gh] its spin off to industry. A large number [of] manufacturing units all over the coun[try] were supplying components to ISRO a[nd] that had already given them great co[nfi]dence in their manufacturing ca[pa]bilities.

Dr Dhawan admitted that the origi[nal] programme of launching Aryabhatta [to]wards the end of last year could not [be] adhered to and the launching had to [be] shifted to April. This was because of [the] fact that all the ground facilities and [the] receiving stations had to be made fu[lly] ready for receiving signals from the sat[el]lite. The actual launch, of course, w[as] slightly ahead of the revised schedule.

Dr Dhawan further stated that the Sov[iet] Union had agreed to India using so[me] of the facilities to be provided in the me[teo]rological satellite proposed to be launch[ed] over the Indian ocean in 1977-78. [It] had also agreed to examine an Indian p[ro]posal to place an Indian payload aboa[rd] the Soviet spacecraft.

No payment, Dr Dhawan said, had b[een] made to the Soviet Union for the launch[ing] of Aryabhatta. All equipments on [the] satellite were functioning well. On [the] present performance, it is now expected [to] have longer life than anticipated earli[er]. The data transmitted by Aryabhatta co[uld] throw up some startling results, conclu[ded] Dr Dhawan.

Will terrorism become a world power?

Jossleyn Hennessy

I do not know to what extent the ever-increasing political hi-jackings and bombings of terrorists from a variety of countries in North Africa and the Middle East — Arab, Palestinian and Israeli — as well as between Catholics and Protestants in Ireland whence they overflow into the United Kingdom, are reported in the Indian press. But terrorist activities, whether of the "Irish Republican Army" (IRA) or of Middle-Eastern organizations are causing grave anxiety behind the scenes in Whitehall.

Their unpleasant and dangerous repercussions are (a) to accustom those with grievances to the idea of violence and (b) to make the public callous to suffering and killing. All this coincides with rising militancy on the part of so many trade unions, particularly in Britain and Italy, while France also has its problems. Other people who fish in the troubled waters of terrorism are the communists in all countries.

Unrest seems everywhere in the air, whether industrial or political. The Leftist coup is Portugal is but the latest example. Nor can the situation in various countries of east and west Asia seem reassuring to peace-loving neighbours.

specialists' views

I therefore thought that it might be of interest in India to summarise a lecture recently given by Brigadier Michael Calvert DSO at a private meeting recently held in the House of Commons. Brigadier Calvert, who was commanding officer of the 77th Indian Infantry Brigade in 1943-44 was a close colleague of the late Major-General Orde Wingate of Chindit fame, and thus became a specialist in guerilla warfare and anti-terrorism. Although Brigadier Calvert's diagnosis and recommendations are directed towards action in the UK, his principles are of universal application.

The purpose of terrorists, Brigadier Calvert told the Commons meeting, is to influence people and governments, to call attention to political grievances, to cash in on industrial unrest and strikes, and to cause reaction which will make an apathetic population sit up, take notice and join, or at least sympathise with the rebels.

poor dupes

We should not waste our venom on the poor dupes who actually place the bombs: they are either men and women of low intelligence or who have some character defect of which use can be made by the directors of operations who order the placing of bombs.

Here is the chain of command of terrorist organisation:

Director of operations.

Importer of explosives, detonators, fertilisers and fuses.

Warehousemen who store explosives.

Bomb-making team — electrician, carpenter, explosive packer.

Retailer and salesman.

Bomb placer.

The bomb placer is under people who are more intelligent than he or she is. Yet the average policeman tends only to go after this stooge, the bomb placer, and it is on him or her whom he plants a charge of murder.

The policeman is looking for "villains" and it is the "criminal" whom he wants to catch, whilst the motivating force behind the arrested man appears to be of little concern to him. If these motivators are caught they are placed on a lesser charge than murder. Yet the bomb placers are hooked as surely as the heroin addict is hooked. First he or she is tempted to earn money as a look-out to give warning. Then for more money they are asked to steel a car. Gradually they are worked up to leave a parcel or suitcase somewhere. They naturally jib at that, because murdering women and children does not sound romantic as joining a guerilla force. B now the pressure is brought to bear their parents or someone else whom th like. Once hooked, the organisation do not mind what happens to the bomb pl cer: if he is caught or killed so much t better because he then becomes a fo hero, a martyr. Yet these bomb place are not criminals as such nor ever we They were probably just weak-mind individuals.

Are the British police, as at present con tituted, capable of routing out the real c minals of terroist activity, the "pushers With all due respect to those who ha died and have been injured, it is an " bomb that blows nobody any good Just as General de Wet, Dalarey, Bot and other Boer commandos were the be training instructors that the British Arn ever had — their operations resulted the Haldane Reforms, which put a we equipped, highly trained BEF into t field in 1914 — so there is no doubt th the depredations of the Irish Republica Army (IRA) have done good to the Briti Army and the police force. If Briti had to compete against a flat-out offensi by the KGB tomorrow, she would be in better state to oppose it than three yea ago.

lack of leadership

Nevertheless the IRA operatio have also shown up many existing de ciencies which have not yet been put righ The main deficiency in the police for is lack of effective leadership. This w Lord Trenchard's opinion when befo the war he formed the Hendon Poli College in order to produce officer mat rial". The Police Federation fanned t hostility against the Hendon Police Colle with the result that the college lapsed du ing the war. One argument was that S Robert Peel had promised that there wou be no officer class in the police force.

The result of the abolition of Hend was that between 1945 and 1965 only 2 out of half a million students who grad

ed in this country entered the police. though 40 per cent of all police recruits d been educated at Grammar School, ly one per cent of all recruits of that riod had two or more GCE passes at dvance Level. The Royal Commission to the Police set up in 1962 expressed ncern at the lack of well-educated reuits. From these comparatively uneduted recruits are drawn the present senior olice officers who are combating terrorm. The Royal Commission, with some rovisos from some of its members who anted even more positive action, said:

"There is a substantial case for creating National Police Service. Its organisaion would be more logical and a number f us think that it would be a more effective nstrument for fighting crime and handling oad traffic than the present large number of partially autonomous local forces..

"We do not regard the creation of a National Police Service as constitutionally objectionable or politically dangerous."

regional police

When the Commons debated this report in the 1964 Act the Tory Home Secretary R.A. Butler condemned the nationalisation of the police as dangerous on the grounds that it would concentrate all police authority in one organisation. But most newspapers and many politicians supported Professor Goodhart's minority report which recommended regional police forces under a National Executive responsible to the Home Office.

Such a police force would be paid from central funds and not out of the local rates. At the moment ratepayers pay 50 per cent of the cost of the police.

One point made was that when British policemen had to meet members of foreign police forces they found themselves outclassed, incapable of giving decisions as they had no overall responsibility for the British police.

Since then a graduate scheme has been introduced, but in the eight years to 1974, only 14 men and 1 woman in the Metropolitan Police Force had joined through the graduate scheme. The remainder of the tiny number of 108 graduates out of nearly 20,000 police in the Metropolitan Police Force obtained degrees after being sent to universities from the police force.

Provincial police forces have been more enterprising and farseeing than the Metropolitan Police Force. In 1968, for the whole of England and Wales a total of 26 graduates became policemen. This figure rose to 95 graduates in 1972 and dropped to 72 in 1973. Also in the last few years an average of 35-40 police per year from England and Wales go to universities. There are now 484 graduates out of 98,000 police in England and Wales. In certain provincial forces, these graduates are given accelerated promotion. All this is good but it remains true that many of the top police have come from the comparatively low educated numbers who joined in 1945-65.

Obviously the UK does not need all graduates in a police force any more than in the front line in any army, *unless* they are doing highly technical jobs.

Ninetyfive per cent of police work is routine and boring. If any police constable has too high an IQ he may easily become discontented. It is the same in other professions such as nursing and doctors, but you nevertheless do need the right proportion of highly educated doctors in a hospital as well as the less educated, although just as worthy, nurses. In the English and Welsh police forces we have not as yet enough qualified "doctors" in high places who have studied and can compete with the modern diseases of terrorism and insurgency.

distrust of theorists

Peter Evans in his book *Police Revolution* says that the vast majority of the police force in Britain is drawn from "the lower middle and respectable working class". If a policeman is too clever he is "cut down to size" by his colleagues during his first two years on the beat if he does not conform. The police *are taught* to distrust theorists. The tests carried out during selection for the police are intended, says Peter Evans, to weed out "authoritarian personalities".

Vegetius who, in the 4th century, was Director General of Training of the Roman Army, said: "It is not big armies which win wars but good ones".

There are nearly a hundred thousand police for 52 million people in England and Wales. The USA has 344,000 for 204 million people; Japan 175,000 for 110 million. So both the USA and Japan have a lower percentage of police per head than Britain.

The French have two national police forces — the National Police (Formed in 1966) totalling 91,000, and the Gendarmerie (les Gardiens de la paix) 61,000. They also have a number of Republican Security Companies (CRS). Each company has 200 Gardiens, housed in barracks. They total 13,500 men. Brigadier Calvert believes optimistically that "If the French CRS had gone into Bogside and Belfast in August, 1969, the whole thing would have been over in a week. There would have been a few broken bones but as likely as not no one would have been killed to this day".

The Japanese have 9,700 riot police included in their total of 175,000 police. They are tough but rarely have to kill.

Walter Stanford, Chief Constable of Derby, emphasises in his book *The Police We Deserve* that what is required in the British police force is quality not quantity.

recruiting graduates

Brigadier Calvert argues that either a better image of the police must be given as an incentive to obtain more graduates to man the technical (not necessarily the top) echelons of the police, or the equivalent of a Hendon College should be reformed to produce an officer grade. Without such a reform he does not think that the UK will be able to beat the highly trained, organised and intelligent international terrorist and subversive organisations now at work.

Yet can the police be blamed? Crime of all sorts has increased and much time is spent on traffic work and in law courts giving evidence. Police officers average over 61 hours a week. This leaves them little time to study anti-terrorist strategy and tactics.

The police invite anyone who wants to help them out and to serve his country as a volunteer to become a Special Constable, of whom there are 23,000 men and 1,800 women; they have the same promotional structure as regulars.

Brigadier Calvert urges everyone who can to join the specials but argues that this is not enough unless the police are drastically reformed. For instance, the head of special branch cannot give orders to a special branch member say, in Manchester or Birmingham, and hence the inefficiency and lack of coordination evident in various cases in the news. Many who have studied the problem advocate a stepped up National Police Force in

accordance with modern needs and terrorist activities. Yet the terms of reference for the British Army do not cover internal security within Great Britain, and the police, as now organised and recruited, are not fully capable of withstanding a really big subversive and terrorist offensive.

Britain, the Brigadier argues has the police she deserves, because politicians, including R.A. Butler, were afraid of too much power in the hands of one national police force and were not imaginative enough to give some responsibility for internal security to the Territorial Army.

disastrous policy

The abolition of the Territorial Army and Yeomanry by a Labour government, and of the Civil Defence Service by their successors the Conservatives, were disasters. It has been said that it is all a question of priorities and the terms of reference given to our fighting forces. As long as NATO is top priority and internal security low on the list, the army, however steadfast under harassment, can never be as efficient in all forms of counter-insurgency as other forces whose main reason for existence is the suppression of terrorism within its borders. The postwar army in Britain was never given the role of internal security yet the Yeomanry was created in 1758 mainly for preventing civil disturbance.

The carving up of the Territorial Army and Yeomanry on the recommendation of generals who could only see the NATO viewpoint and neglected the prime necessity of securing a safe base, has left Britain in a precarious situation with a good army overseas and an unsafe base at home.

In 1939, the 1st London Divisional Engineers was responsible for the internal security of half London. There were 14 Territorial Army divisions for the internal security of Great Britain and Northern Ireland. They were in an extraordinarily good position to carry out this role as they came from every walk of life. They all knew each other and so penetration by outside influence was not possible.

Not only was there a Territorial Army, there was a supplementary reserve who, with the technical arms of the Territorial Army, was drawn from the essential services and factories. Thus if there was a strike these Territorial Army and supplementary reserve personnel could go out with the rest. Then, if so required they could be embodied, change their hats and go back again to work to keep essential services going. This was a tradition which the Marxists realised was the main obstacle to their take-over of the country. The left wing of the Labour Party was determined to get rid of this major obstacle to revolution as soon as possible. Here in existence was a people's army drawn from the people yet loyal to the country and not to a faction.

Yet this tradition designed to hold the country together in time of strife was destroyed at one stroke. The Territorial Army cost only £20 million a year, about the price now of one aircraft. Yet for a political reason all its infrastructure throughout the whole country was wiped out. There are still hundreds of thousands of young men and women who would be ready to put on uniform at weekends and rejoice to feel that they were doing something worthwhile for their country by learning what to do in an emergency.

The police admitted great dependence on the Territorial Army not only in an emergency but as a reserve of strength. They were the citizens force.

The Territorial Army has greater intelligence and objectivity and wider national experience than either the police or the regular army and therefore is suited to carry out the duties of internal security. The Australian army's greatest general, General Monash, was a civilian — a dentist. Half the Australian generals in World War II were civilians, yet the Australians were the only army to beat the Japanese on level terms. The Territorial Army taps such energy and intelligence and it can be harnessed on the side of government to oppose revolution.

fuel for coup

The conditions in which a successful coup d'etat can take place include inflation, unemployment and under-employment, a breakdown in the central services, a collapse of investment, mortgages, pensions, etc. and the collection of statistics on how many and who in the army it is necessary to subvert. Russia and China run courses on how to subvert an army and how to carry out a coup d'etat.

E. Luttward, in 1969, cited the case of Portugal, listing how much of the army was overseas, how many were neutralised by being under training or could be neutralised by the efforts of previously subverted technicians. The answer was that only 3,000, one per cent, need be subverted. (This was written long before the recent coup d'etat in Portugal).

Brigadier Calvert concludes with the following recommendations:

1. The UK should raise efficiency and improve the organisational ability of the police force by (a) raising the educational level and (b) encouraging a higher percentage of university graduates to join by ensuring that there is a good career open to them.

2. A National Police Force divided into regions should be formed, paid from central funds and not from local funds.

3. The police force should include a National Special Branch which could plan and operate nationally without hindrance.

anti-riot force

4. A force like the French Republican Security Companies for anti-riot and counter-insurgency duty should relieve both the police and army of this responsibility. Both the police and the army take the view that they were not designed for anti-riot and counter-revolutionary operations.

5. There should be an international operations room to keep track of all terrorists and insurgency movements throughout the world and study all terrorist and insurgency operations and methods, weapons etc. It should have a research laboratory, library and an international card storage and retrieval computer system covering all terrorists and suspects. Such a centre should run lectures and seminars for senior and junior personnel and for the TAVR 4.

6. A Territorial Army Volunteer Reserve (TAVR 4) should be created with the role of becoming a guerilla defensive force in case of invasion, and a counter-insurgency force when necessary. It should work in close cooperation with the police and be armed appropriately.

7. The cash grant for the Secret Service should be doubled so as to afford much greater payment for information.

8. The Home Office should be reorganised to be able to cover such new responsibilities.

9. The Army's present expertise, especially in technical matters such as bomb disposal, should not be wasted or lost, but officers and NCOs should be seconded to the police force and TAVR for periods of two or three years for work on internal security.

10. The terms of reference of the armed forces should be reconsidered to include some responsibility for the future of the UK's internal stability and not just limited to NATO and overseas operations.

VINDOW ON THE WORLD

Europe's relations with 46 developing countries

Jossleyn Hennessy
London

I

xit Yaounde Enter Lome

EW type of relations between indus-sed and developing countries"—Mr ett Fitzgerald, Irish foreign minister current president of the EEC Coun-

For the first time an agreement bet- industrialised countries and the d World is reached with perfect equa- between two parties, an equality e possible by the fact that it is an en-continent which negotiated with a le voice, as a unique ensemble"—M. ıde Cheysson, the European Commis-er responsible for development aid.

These comments followed months of gotiation culminating in a concluding entyfour hours session. The EEC had ched agreement with 46 countries* m Africa, the Caribbean and the Paci- on a trade, aid and development pack-e of cooperation. Exit the Yaounde sociation, enter the Lome Convention.

I gave details on the background and e earlier negotiations between the EEC, its former associated countries and those which became eligible for association through the UK's entry into the Community in the *Eastern Economist* dated May 17, 1974, and December 13, 1974.

Such euphoria was not surprising: the sheer scale of the exercise was unpecedented. In was a marvel that it was even completed, for what was at stake was the transition from an old colonial relationship to a new linking more in tune with the mood and circumstances of the 1970 between powers of vastly different economic capability. Thus the ACP needed to resolve the choice between continuing the old Yaounde Convention, where the dominance of the European power was writ large, and a new relation which cut through association and finished as a relationship based on what M. Cheysson was pleased to call "perfect equality." In the final analysis, the greater self-confidence of the British Commonwealth countries steered the former French colonies to the latter. In the process they killed the idea espoused equally in Paris and Dakar of "Eurafrique."

On the other side, the EEC had to bridge the difference between, broadly, the French view, where the economic relationship continue the former colonial relationship dressed up in suitable terms to look like association, but where the former colonial power still retains a power in the economic life of its former territory, and the British view, where independence was seen much more literally, but where the former colonial power has a certain historical responsibility to make a reality of that independence in economic terms.

The final result has been the dropping of the word "association" and its replacement by the much more emotionally neutral word "convention". This reflects the eventual primacy in the discussions of the British and Commonwealth viewpoint. As the ACP countries stuck togethes right through the protracted months of negotiation with greater cohesion than had been expected, the British viewpoint was in effect forced on the Freneh, for without the laying of the colonical ghost there would have been no agreement at all. The French have always been aware of the importance of a Community relationship with Africa, and the new convention is better than no convention at all.

But there is another side to the convention. The ACP countries, for their own diplomatic reasons, could not be seen by their counterparts in the Third World to be entering into any relation that did not reflect the greater militancy of the raw material producers. This militancy centres on the right in both moral and economic terms, of the producers to recieve stable and equitable prices for their raw materials. It found expression in the United Nations confcrence on Raw Materials in the spring of 1974 and latterly in the Third World Raw Material Producers' meeting in Dakar, the schemes of the United Nations Conference on Trade and Development for International Stockpiles as a means of stabilising prices, and continually over the last eighteen months, in the attempt to create new raw material producer associations or to give greater powers to those that exist. All this implies a measure of confrontation with the industrialised world. The Lome Convention offers an alternative: negotiation with a view to agreement.

II

Some Earnings are Guaranteed

The crucial element is the scheme for the stabilisation of export earnings. This may have more of symbolic than practical value for it is small in terms of funds and limited in its application. Where one of the ACP countries depends on one of the listed products for more than

*The 46 ACP countries are :—Africa—Mauri-ıia, Mali, Upper Volta, Niger, Senegal, Ivory ast, Togo, Dahomey, Cameroun, Chad, Cen-l African Republie, Gabon, Congo, Rwanda, rundi, Somalia, Zaire, Kenya, Uganda, Tan-nia, Botswana, Gambia, Ghana, Lesotho, alawi, Nigeria, Sierra Leone, Swaziland, Zambia hiopia, Guinea, Equatorial Guinea, Guinea ssau, Liberia Sudan; Indian Ocean—Madagas-r, Mauritius: Caribbean—Bahamas, Barbados, uyana, Jamaica, Grenada, Trinidad and Tobago; cific—Fiji, Western Samoa, Tonga.

7.5 per cent of its export earnings, it will be able to receive help should the earnings drop by more than 7.5 per cent. But the fund to provide reimbursement in the lean years has been endowed with less than £200 million, denominated in units of account, for five years.

Twelve products have been listed for treatment: cocoa, coffee, cotton, coconut products, groundnuts, palm products, hides and skins, timber products, bananas, tea, sisal and iron ore. With the exception of iron ore the most conspicuous absentees are metals and minerals. The EEC would not agree to include manganese, copper and bauxite on grounds of expense and political complications. Iron ore was included as a last minute concession. In fact, the EEC was not prepared to include products produced near home, such as tobacco, fruit and vegetables, beef and pineapple products.

questions of access

At this point the common agricultural policy came into play as it did on the question of access to the EEC markets for ACP agricultural products. The common agricultural policy is the point where Community goodwill stops. While the ACP was given open access for some 84 agricultural products it could gain no more than a preferential regime for common agricultural policy products.

The EEC conceded free access to all the industrial products of the ACP, but this was largely meaningless when the manufacturing base of the developing countries is so thin. There is, however, provision in the convention for industrial cooperation which covers technology and research and the encouragement of investment. This will be supervised by an industrial cooperation committee.

The aid provisions of the convention disappointed the ACP, but it has been clear for some time that the EEC would never meet the ACP demands. Inflation and the increase in oil process has long since dulled EEC generosity. As it had happened, the ACP did not disagree about the amounts involved at the final session of negotiations, merely stating that they had no intention of bargaining, but that they did not think that the EEC offer respected the commitment that the former associated countries and their Commonwealth counterparts would maintain their advantages in Community aid. The final Community offer, channelled through the European Development Fund and the European Investment Bank, came to some £1,700 million over the period of the agreement instead of the $4,000 million for which the ACP had been asking.

The Lome Convention expires after five years, although the EEC has in mind some permanent link. Much will depend on the economic convenience experienced by the ACP. At this stage it seems likely that those countries with rich mineral deposits or with their own fuel supplies may sever the link as they become more economically independent.

III

Sugar Holds Up Agreement

At one stage it seemed that the whole agreement might be delayed for months. The original negotiating targets were not met and the whole business was not concluded until the beginning of February. The cause was sugar. There were two issues. The first was the price to be paid to the Commonwealth sugar producers for the 1.4 million tons which the EEC had agreed in principle to accept each year. The second was the price to be paid for imports this year, after the EEC had agreed that Britain could negotiate a price unilaterally to cover supplies for this year in the knowledge that if no such agreement was reached then there would be a grave domestic shortage.

The producers were not prepared to sign the wider convention without agreement in the first instance on this year's price. What took place through December and January was therefore a battle of nerves between the British minister of Agriculture, Peart, and the producers' negotiating team lead by the Jamaican minister, Patterson. It was only a matter of time before some compromise was reached. The pressures on both sides for settlement were too great to allow complete deadlock.

The producers case for a high price had been geared to the world market prices for sugar but these had been falling in the last part of 1974 and the first part of 1975. The producers were aware that if they were to unload all their stocks originally intended for Britain they could depress the price further. And in any case they were in no position to throw out the possibilities of a long-term agreement for a short-term gain in the knowledge that the EEC is attempting to b its beet production and had agree new series of basic quotas which, wea permitting, could end local shortage by the spring of 1976.

The British, on the other hand, c not afford to deprive themselves of sources of supply. While they benefit the system of subsidies on purch made on the world market, it must been realised that the EEC purse, u West German supervision, was bottomless. At the same time, British government could not allow wider agreement to slip away for a pounds per ton of sugar.

The compromise price on 1975 s plies to the UK was finally settled £260 a ton. This agreed, the way open to settle wider issues. The pr in the future will be negotiated year year, the EEC producers having guar teed access for 1.4 million tons.

The EEC has insisted that the Co monwealth producers cannot be paid m than the EEC price for locally-produ beet. As the Agriculture ministers h recently agreed a 15 per cent increase, Commonwealth producers are not go to receive less than £150 a tonne. EEC has agreed to take other fact like transport costs into account, so t the price changes each year come do in M. Cheysson's view, to a question indexing. If, however, the producers s ceed in obtaining a higher price from dividual importers, then the guarante price will not come into effect. What t producers have is a guaranteed mark and a floor beneath which their priees w not fall.

Sources and acknowledgements : T foregoing summarises a copyright rep in the latest issue of *European Trends* pu lished quarterly, to subscribers only the Economist Intelligence Unit (27 James's Place, London SWIA : INT a obtainable in India from J.A. Shah, Marine Drive, Bombay 20) but the EIU responsible neither for the emphasis my summary, nor for my interspers comments based on a variety of sources


May be the sun is good for your skin,
but is it good for your suit?
Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour!
A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.
J
JIYAJEE
TERENE SUITING
SHIRTING & DRESS MATERIALS
JIYAJEERAO COTTON MILLS LTD.

ADB responds to its constituents' needs

THE PACE of the Asian Development Bank's operations increased substantially in 1974. According to the Bank's annual report for 1974 total lending during the year rose to a level 30 per cent higher than in the preceding year.

Technical assistance, which is a vital part of the Bank's operations also increased sharply: 31 projects were approved at a total estimated cost of $5.42 million — more than double the cost of the 24 projects approved in 1973. In addition, the report continues, new areas of technical assistance were taken up, such as energy policy and development planning. In 1974, the sectoral distribution of the Bank's lending reflected some of the priorities of the developing member countries arising out of the food and energy crises and the widespread economic slowdown.

Fertilizer needs received special attention: at year-end two large projects involving other lenders were in advanced stages of preparation. Several loans in the power sector were made for projects utilizing domestic energy resources. Rail transport was a new sub-sector in the transport and communications sector which received Bank assistance for easing constraints in moving basic commodities, especially food. The less developed countries, many of which were especially affected by the developments in the world economy over the past year, says the report, received a much larger share than before of the Bank's lending on concessional terms. The share of concessional lending itself, in total lending, increased from 28 per cent in 1973 to 32 per cent in 1974.

inadequate food production

According to the economic background section of the report, "the increase in foodgrain imports reflected the inadequacy of food production in the region. Most of the developing member countries, not being self-sufficient in foodgrains, depend on imports to varying degrees. Even in 1973, a bumper year for the region, food shortage continued, due partly to a marked reduction in stocks available to the region from the major exporting countries of the world, and partly to a drop in production in this region in 1972."

"The situation worsened in 1974 by crop failures in the most densely-populated and the traditional rice-exporting DMCs. The continuing demand for foodgrain imports to meet normal shortages, together with the additional demand due to crop failures, pushed the price of foodgrains to record levels. And these higher foodgrain prices contributed significantly to the rise in the general price level and aggravated balance of payments difficulties in the affected countries.

"Efforts to increase food production in the developing member countries were hampered in 1974 by record fertilizer prices reflecting a worldwide shortage. Thus the DMCs, which depend on substantial imports of fertilizers, were unable to meet their requirements. According to a Bank study which covered 17 developing member countries, the consumption of fertilizers in those countries increased at an annual rate of 15 per cent between 1964 and 1973. Out of 5.5 million tons consumed in 1973, only about three million tons were from domestic production. This gap is expected to increase in the next few years."

special funds

Asian Development Fund: Corresponing to the Bank's expanding role in the development of the region,the need for major efforts at resource mobilization becomes increasingly evident. A significant milestone in the evolution of the Bank's Special Funds operations was reached in 1974, with the coming into effect of the Asian Development Fund. With a target of $525 million, the fund is designed to provide a mechanism for the systematic mobilization of resources for the Bank's concessional lending operations, and for the efficient administration of these resources. Contributions to the Fund are to be untied for procurement in all developing member countries and in all contributor countries. They will be drawn upon, on a pro rata basis, to finance loans on concessional terms for the economic and social development of the Bank's developing member countries.

Stimulus to the Bank: The report says the bank has to respond to the urgent development requirements of its developing member countries. For the majority of these countries, the requirements include an increasing production of food, which higher fertilizer production is e tial, greater exploitation of domestic gy resources and wider diversificatic production for export. At the same infrastructural needs cannot be looked if the broad development effo to succeed. The determination and lience shown by most developing coun in coping with the economic setback 1974 offer encouragement and stimulu the Bank to play its due role in furthe economic development in the region

loans sanctioned

Lending Operations: In 1974, accor to the report, the Bank approved l totalling $547,68 million, an increas 30 per cent over the previous year's of $421.48 million. Forty loans were roved for 39 projects in 14 countries. F its inception to the end of 1974, the port notes, the Bank had made 211 lo totalling $1,923.71 million for 189 jects in 21 countries. Of these, 124 lo totalling $1,431.14 million (74 per c were from ordinary capital resources 87 loans totalling $492.57 million (26 cent) from Special Funds.

The total amount lent from Spe Funds increased both in absolute and r tive terms. Concessional lending amou ed to $172.86 million in 1974 as aga $118.16 million in 1973, a 46 per cent crease. The share of Special Funds lo in total lending also increased to 32 cent in 1974 from 28 per cent in 1973.

Bangladesh ($52.1 million) was the gest recipient of loans from Special Fu in 1974. Other major recipients w Pakistan ($34.0 million), Republic of V Nam ($20.4 million), and Burma ($1 million). A feature of the Bank's lend in 1974 was the increased number supplementary loans, made necessary a result of worldwide inflation. While many cases the cost overruns were finan by governments from their own or other ternal resources, six supplementary lo were made by the Bank in 1974 for a to of $37.92 million, representing about se per cent of the year's lending. Exclus of additional financing to meet cost ov runs, the average size of loan for new p jects was $15.0 million in 1974 compa with $8.1 million in 1973. This increa

attributable to higher costs, the larger of projects assisted and the termination of the Special Funds Supplementation Scheme operated in 1973, under which certain projects were financed with two loans, one from the ordinary capital resources and one from Special Funds. The largest loan so far was made during the year for the Manila Water Supply Project in the Philippines.

The largest share in total lending during 1974 was that of Pakistan (18.3 per cent), followed by Republic of Korea (16.3 per cent), Indonesia (14.3 per cent) and Malaysia (11.9 per cent).

Over the period 1968-1974, the three main recipients of Bank loans have been the Republic of Korea (17.5 per cent), Philippines (12.6 per cent) and Pakistan (12.4 per cent).

cost of projects

At the end of 1974, the total cost of projects for which the Bank had provided direct financing was estimated at about $1,413 million, of which Bank loans represented approximately 47 per cent. In addition, the Bank financed indirectly, through national development banks, projects estimated to cost $1,192 million, of which the Bank's financing represented about 27 per cent.

Compared with the 1973 sectoral distribution, the report says, the 1974 pattern reveals a sharp rise in the share of the agriculture sector in total lending. The sector received 14 loans totalling $134 million in 1974, compared with 10 loans totalling $47 million in 1973.

Five loans totalling $76.55 million were made in the power sector. None of the new projects financed by the Bank in the power sector in 1974 involved the use of imported petroleum resources. Five loans totalling $104.87 million were made for industrial projects. Four industrial development banks in three countries received Bank loans in the form of credit lines totalling $82 million for relending for small and medium industrial development projects. Nine loans totalling $82.5 million were made for transport and communications. Three loans totalling $68.8 million were made for water supply projects.

In the education sector, two technical assistance projects were approved. A proposed loan for vocational education was at an advanced stage of processing at year-end. Provision for training was made in Bank-financed projects in most sectors, especially agriculture and industry (including development banks). A number of training centres for farmers and agricultural extension officers will be established as a result of the training component built into the projects in the agriculture sector.

Social Impact: An important objective, both in project formulation and in project identification, is to ensure directly or indirectly that, within the framework of economic justification, the benefits of the Bank's development assistance are as widely spread as possible and the needs of the lower-income groups in particular are taken into consideration. In agricultural development, for example, special efforts have been made to design projects which will benefit the rural poor. In other types of agricultural investment, special attention has been given to the needs of small producers, particularly in less developed areas. Lending to industrial development banks, which accounts for 16.9 per cent of the Bank's total lending to date, says the report, has been a valuable means of expanding employment opportunities. In all sectors, opportunities have been sought for maximizing the use of surplus labour capacity.

Loan Administration and Post-Evaluation: During the year, the loan administration function was transferred from the Operations department to the Projects department as part of the reorganization of these departments, designed to improve supervision of projects from the appraisal stage to project completion

total disbursements

The award of procurement contracts in 1974 totalled $356.1 million, more than double the previous year's figure of $176.1 million. Total disbursements in 1974 amounted to $187.5 million, both from ordinary capital resources and Special Funds, an increase of $41 million over the 1973 fiugure. During 1974, the Bank further strengthened its activities in the post-evaluation of completed projects. A Programme of Action was approved in August 1974 with two main objectives: first, to determine whether projects had achieved their intended objectives; and second, to re-examine, in cooperation with the developing member countries and the executing agencies of the various projects, the objectives themselves and the effectiveness of the means of achieving them.

Technical Assistance: The Bank was more active in technical assistance in 1974 than in previous years, both in regard to the number of projects approved and the cost involved. Thirty-one technical assistance projects (excluding regional activities) were approved in 1974 at a total cost of $5,419,800, compared with 24 projects in 1973 costing $2,597,300. Twentyone commitments were made for project preparation in 1974 and ten for advisory services (including four given in conjunction with Bank loans).

Fourteen loan projects approved in 1974 resulted from technical assistance for project preparation extended in 1974 or earlier. The loans totalled $164,405,000, whereas the cost of the technical assistance involved was $1,255,500. Altogether, loans totalling $378,528,000—including six loans totalling $22,773,000 arising out of technical assistance which was primarily advisory in nature—have resulted from technical assistance costing $5,471,000.

technical assistance

Eighteen technical assistance projects were completed in 1974 bringing the total completed to date to 80, says the report. Fortyfour of these entailed project preparation and, of these, 33 had led to loans totalling $330,8 million by the end of 1974.

The 18 projects completed in 1974 comprised 12 for project preparation and six which were advisory or operational in nature.

Regional Activities: As a regional development finance institution, one of the important functions of the Bank is to promote regional cooperation.

Arising out of past regional activities, the Report of the Asian Survey for Regional Cooperation, for which the Bank made a contribution of $200,000 in 1971, was published by the Economic and Social Commission for Asia and the Pacific in 1974.

The major preparatory work, initiated in 1973, for the implementation of the Nam Ngum hydropower project was completed in 1974, During the year, the Bank continued to coordinate mobilization of financing for the second phase of construction of the Nam Ngum hydropower facilities in Laos. The project has regional significance: through sales of surplus power to Thailand, Laos will be able to earn significant amounts of foreign exchange. In June 1974, the Bank agreed to act as administrator of the Second Nam Ngum Development Fund, and to waive all claims for the costs of its services as coordinator of project execution. The Fund agreement became effective on July 5, 1974. The project is expected to be completed by late 1977.

The Bank continued to maintain close contact with Southeast Asian Agency for Transport and Communications Development (SEATAC) which has been estab-

lished in Kuala Lumpur and which provides a permanent secretariat for the Coordinating Committee of Senior Transport Officials of Southeast Asian Countries (COORDCOM). SEATAC began operations in 1973 and is in the process of identifying transport projects of regional significance for consideration by COORDCOM. The Bank, acting as Excecuting Agency for UNDP, undertook to provide technical assistance to SEATAC for the preparation of a three-year work programme based on a detailed examination of specific regional projects.

training programme

A Regional Training Programme on Development Banking was held in Bombay, India, in cooperation with the Bankers' Training College of the Reserve Bank Bank of India from October 21 to December 4. A feature of the programme was the use of eight projects of six development financing institutions in Asia as case studies and for project work. The Bank provided facilities for a Seminar on Trade Strategies for Economic Development: The Asian Experience, which was held in December under the joint sponsorship of the Bank and the National Bureau of Economic Research of the United States.

Policy Decisions: A number of important policy decisions were made in 1974 as part of a continued effort to develop operational policies responsive to the needs of the developing member countries. Such decisions were made necessary by the rapidly changing economic situation in 1974, which had far-reaching effects in the Bank's developing member countries and which precipitated, in many cases, adjustments in member countries' development priorities.

The Bank established criteria for lending from the Asian Development Fund, which came into effect on June 28 and set the terms of lending for Special Funds loans.

A major policy decision taken during the year was to provide foreign exchange to meet part of the local currency expenditures in Bank projects. The Bank reviewed its financial policies, including the investment guidelines and liquidity policy, approved proposals for borrowing operations and set a new rate of 8-1/4 per cent per annum for loans from ordinary capital resources. (On February 14, 1975 this rate was further increased to 8-3/4 per cent per annum and, for certain countries, to 9-1/2 per cent). The Bank also reviewed its operational policies in regard to the developing member countries in the South Pacific, simplified the procedures for financing interest and other charges during construction and commenced the reexamination of policies in regard to lending to development banks.

In contrast to the earlier practice whereby Special loans were made on terms ranging from one per cent to three per cent interest with amortization and grace period ranging from 40 years to 12 years and 10 years to 3 years respectively, all Special Funds loans made after March 21, 1974 have carried a one per cent per annum service charge, 40-year amortization period including a 10-year grace period, and repayment of principal at the rate of two per cent a year for 10 years after the grace period and four per cent a year thereafter. Prior to mid-1974, the Bank had provided foreign exchange loans to meet only the foreign exchange costs of projects, including the import content of locally produced goods. In July 1974, it was decided to finance in addition, in suitable cases, a reasonable proportion of the total local currency expenditures of Bank projects by lending foreign exchange for this purpose.

Interagency Cooperation: The events of 1974 highlighted the importance of coop[...]rative endeavours, as much between inte[...]national agencies as between countri[...] The Bank actively sought new opportun[...]ties for applying its own skills and r[...]sources in conjunction with the efforts [...] developing member countries a[...] others interested in the development nee[...] of its region.

The high levels of interest rates whi[...] prevailed in the international cap[...]tal markets throughout the year we[...] not conducive to borrowing on t[...] scale planned. Two borrowings we[...] made in 1974, one in the Midd[...] East and one in Japan, and addition[...] borrowings were anticipated ear[...] in 1975. The Banks's authorized capit[...] stock was $3,365,716,500 on Decemb[...] 31, 1974. The subscribed capital w[...] $2,770,274,203. Gross income for the yea[...] according to the report, was $57,510,72[...] After deducting $2,855,800 as commissio[...] appropriated to the Special Reserve [...] meet the Bank's liabilities on borrowing[...] or guarantees, the unappropriated incom[...] for the year was $54,654,920. Gross e[...]penses for the year amounted [...] $28,227,667; the net income for the yea[...] therefore, was $26,427,253. The member[...]ship of the Bank rose from 40 to 41 i[...] 1974 when Gilbert and Ellice Islands be[...]came a member of the Bank on May 28.

— *Asian Development Ban[...]*

Eastern Economist 30 Years Ago

MAY 4, 1945

Three things are of the essence for success in social experiments: a right conception of the needs of a certain situation; the formulation of a correct policy in relation to the realities of that situation and equally important is the time schedule according to which the various schemes in the plan have to be executed, having regard to the inherent and developing capacities of the people and the environment at various stages of development. It is true that in critical times men have attempted to do and have, to a certain content, succeeded in doing, at the same time, too many things, which do not appear to be in the right social succession. This was the case with Sovi[...] Russia, which by an intense revolutionary effo[...] succeeded in transforming its agriculture an[...] industry from their lifeless existence into high[...] efficient instruments of social service. There [...] much that is common between British India an[...] Czarist Russia; and without carrying the analog[...] too far, one is struck by the basic inability [...] their agricultural systems in supporting the[...] respective populations. There is, hance, a case i[...] India for an all-out effort in the agricultur[...] reorganization of the country.

MOVING FINGER

The inauguration of the annual session of the Federation of Indian Chambers of Commerce and Industry by the prime minister this time seemed and sounded almost like an occasion for a love feast. Mrs Gandhi graciously allowed that the presidential address of Mr K.K. Birla was constructive by and large and, deciding to respond in kind, she noted with satisfaction what she regarded as a welcome change in the attitude of the business community towards its social responsibilities. After this it was a foregone conclusion that, when it came to the turn of Mr H.C. Mahindra (the incoming president of the FICCI) to propose a vote of thanks there would be a wholehearted re-affirmation of the *entente cordiale*. He in fact proved that in diplomatic skills he was second to none, whether within the business community or outside. Mr Mahindra cheerfully anticipated Mrs Gandhi being with the FICCI when the next annual session came round. Since it is reasonable to expect that a general election for the Lok Sabha would have taken place between then and now, Mr Mahindra's observation had an obvious significance. The business community is known to be given to the belief that political stability is the prime condition of economic stability and it is possible that many or perhaps most of its leaders believe that the prime minister's party, probably, is a businessman's best bet in this respect.

Before concluding his address Mr K.K. Birla paid a handsome tribute to the retiring secretary-general of the Federation, Mr G. L. Bansal, who, as Mr Birla put it, was "completing 33 years of loyal, dedicated and distinguished service." Subsequently the Federation adopted a resolution "placing on record its deep appreciation of the long and meritorious service rendered by the secretary-general, Mr Bansal, to the business community in general and the Federation in particular." Mr Bansal has had the rare advantage of observing the national scene for nearly 35 years from, so to speak, a ringside seat. In addition, for the greater part of this period, he has also been participating actively in the nation's life by functioning as the chief executive of its premier apex organization of industry and trade. He also served for a period as a member of parliament and in that capacity he showed not only an aptitude for constructive politics but also an inherent capacity for dealing with public issues in truly national dimensions.

It is to the credit of Mr Bansal that during his service with the FICCI he has been able to enjoy the confidence of many captains of industry without becoming a conscript in the retinue of any of them. If Mr Bansal has a weakness, it is his disposition to take seriously what he would describe as the revolutionary phase of his pre-FICCI years as a young man but, even as he dwells on those heady days in loving detail, he would still be very much a senior citizen with his feet firmly planted on the ground. Nothing becomes a pragmatist better than a nostalgia for idealism, and now that Mr Bansal has been released for possible service to a larger community than that of industry and trade, the government could do worse than utilize the knowledge and experience he has acquired through his deep involvement in the processes of the economic development of our country. Mr Bansal's association, for instance, will certainly be of value to the nation's apparatus of economic planning.

From what I saw or heard in Bombay last week, I am tempted to conclude that Mr Morarji Desai's prestige has shot up in western India, where he has currently become a political personality or even political force of truly formidable proportions. A bright young medical student remarked to me that, while Mr Jayaprakash Narayan is still to succeed in bringing about the dissolution of the Bihar legislative assembly, Mr Desai not only succeeded in getting the Gujarat assembly dissolved last year but has now compelled the prime minister to hold an election in the state earlier than she wanted to. It is of course true that the old pro has not only shown himself to be no mean hand at playing the political game with the most resourceful of them, but has also been able to compel his opponents (or, rather, opponent) to play the game often according to rules of his own framing. A source close to Mr Desai told me that one of the factors which weighed with him when he resolved to go on a fast on the Gujarat election issue was the mob violence which Mr Jayaprakash Narayan was subjected to in Calcutta. It seems that this incident convinced Mr Desai that the ruling party was in no mood to allow even normal political activity being carried on by its political opponents or anti-Establishment forces. In any case, the outcome of Mr Desai's fast has shown that he did manage to hit upon a means of political protest which Mrs Gandhi could not afford to ignore or brush aside.

Having succeeded in this manner it is but natural that he should seek to capitalize on the political fallout of his fast and capture power for his party in the forthcoming election in Gujarat. He knows only too well that this election will decide perhaps finally the viability of his party as a factor in the immediate political future of our country. This is not to imply that Mr Desai must necessarily be holding on to the belief that his party will be able to function on its own as a substantial counter to Mrs Gandhi's on the larger national scene but, even if it is to participate in a federal or some other kind of alliance against the Establishment, it will be able to do so from a position of reasonable strength only if it can demonstrate that it has substantial hold on the people at least in certain parts of the country, particularly Gujarat. It is from this point of view that Mr Desai should be finding it difficult to make any substantial concessions to Mr Jayaprakash Narayan's insistence on the concept of "people's candidates" to fight the ruling party in elections.

Mr Desai seems to have convinced himself that he could defeat the prime minister's party decisively in Gujarat either through the independent strength of his party or through this strength supplemented by electoral alliances which he is hopeful of working out with the Jana Sangh and other political parties or groups which are opposed to the prime minister's party. Mr Chimanbhai Patel's Kisan Mazdoor Lok Paksha is certainly a distracting element and there is no doubt that both Mr Desai's party and that of the prime minister would soon be bidding for Mr Patel's support in some form or other if they have not started doing so already. An amazing aspect of the situation is that, while both Mr Desai and Mrs Gandhi would dearly love to have Mr Patel for friend and ally, neither of them could be keen on making a deal with this colourful but controversial ex-chief-minister because of the circumstances in which he and his ministry were forced to give up office. When it comes to the crunch, however, Mrs Gandhi may be found to be more ready than Mr Desai to do business with Mr Patel even on the latter's own terms.

VB

BOOKS BRIEFLY

Reviewed by
Academicus

Politics in Andhra Pradesh farming

Agricultural Administration in Andhra Pradesh: K. Seshadri; Popular Prakashan, Bombay; Pp. 302; Price Rs. 45.

Foreign Direct Investment in the United States—Opportunities and Impediments: Simon Webley; British-North American Committee; Pp. 50; Price $ 2.00.

Introducing Economics: B.J. McCormick, P. D. Kitchin, C. P. Marshall, D. D. Sampson and R. Sedgwick: Penguin Education; Pp. 766; Price £2,40.

Completing the GATT—Towards New International Rules to Govern Export Controls: C. Fred Bergsten; British-North American Committee; Pp. 62; Price $2.

Marketing of Agricultural Produce in India: A.P. Gupta, Vora & Co, Publishing Pvt Ltd, Bombay; Pp. 264: Price Rs 30.

Tax Policy: T. Mathew; Kalyani Publishers, Delhi, (1975); Pp. 183; Price Rs 30.

Though it has been realised that without a strong agricultural base no worthwhile and stable economic progress can be achieved, very often the role which agricultural administration can play in reconstructing agriculture is not fully realised. Many of the commissions appointed in India have stressed the importance of efficient system of administration. They have unequivocally acquitted the peasantry of all the conventional accusations like backwardness, traditionalism and lack of ambition that have been levelled against him. A dynamic agricultural administration can therefore make a vital impact on the agricultural development of the country by serving as a fulcrum between vast Indian agricultural resources and the peasantry. The present agricutural administration in most of the states is an archaic system based on checks and balances and it is not surprising that the Ram Subhag Singh committee came to the conclusion that "unsatisfactory administrative and organisational arrangements were, by far, the most important single factor responsible for inadequate progress in the sphere of agricultural production." *Agricultural Administration in Andhra Pradesh* is an extremely important, significant and welcome study and brings forth all the salient features of its problems in that largely agricultural state.

K. Seshadri is of the opinion that an objective and scientific evaluation of the role of administration in agricultural development is beset with certain inherent limitations in a country like India. This is because "Administration is an intangible element in the whole gamut of agricultural operation which has to take into calculation the vagaries of the monsoon with as much importance as the socio-economic constraints which determine the behaviour of all participants."

concerted action

But the fact that agriculture can no more be left to fortuitousness is beyond any controversy. The resourcefulness of a dynamic and development-oriented administration bent on combating these factors and giving a positive content by making available all the other inputs without delay and avoidable inconvenience can definitely help to overcome the hazards of nature and stabilise agriculture on a higher level of development. In this connection concerted actions of various departments will have to be coordinated. They include among other things the agencies for cooperation, animal husbandry, irrigation, power, extension and research. Also administrative and political leadership have necessarily to act in a mutually complementary manner. This means the end-product of agricultural effort is a resultant of the interaction of all these elements in a manner that they do not cancel out each other but supplement each other.

The auther has raised a very important issue in regard to agricultural administration, since many of the matters concerning agriculture have been handed to lower rungs in the administrative ladder. He has posed the question: "Is the importance attached to decentralised democracy more valuable than accelerated production?" Should there be participatory democracy even at the lowest levels assuming for a moment that what is actually happening in the name of decentralised democracy is really democratic? For purposes of democracy is it not sufficient, if the functioning of the executive at a higher level is rendered accountable to the elected legislature at that level and all the echelons below it are administered by and under the direct control of such an elected body? Does democracy become more democratic by virtue of its being decentralised, resulting in eternal factional feuds and power of patronage centralised in the hands of a few rural power elite?

It must be realised that there can be democracy without drastic decentralisation and there can be drastic decentralisation without there being any democracy. The whole thing, according to the author, boils down to whether decentralised democracy is a credo which cannot be abandoned even at the cost of impairment to agricultural production or agricultural development is more important even at the cost of sacrificing the functioning of decentralised democracy. There appears to have crept in the usual confusion between ends and means!

politicians' game

The author's findings show that the elected leadership at the lower level in Andhra Pradesh (and elsewhere also) do not evince as much interest in the agricultural programmes as was visualised. They appear to be interested as politicians in gaining and retaining power. Love of power of patronage outweighs considerations of both fair play and real needs of development. The author opines that comparatively a state like Tamil Nadu where so many powers have not been given to the decentralised democratic leadership has done better on the agricultural front in spite of its not having as many natural advantages as Andhra Pradesh.

The author has pronounced that

nchayat raj institutions in Andhra adesh instead of being efficient truments for effecting community velopment programmes have in t effectively stifled them! He finds at in these institutions in Andhra adesh politics has been carried to e nadir of immorality. Only where e leadership is absolutely confident perpetuating itself is there any insnce of some distraction to agricultural d developmental work from the allne work of 'politicking'. "Patronage, estige-rating, caste alliances, feudal es, pressure tactics and malpractices ake it impossible to arrive at any esideratum of people's participaon."

The author's central argument is that en with technical competence have be given a greater role and held esponsible for results than is happening t present in panchayat raj institutions. his also implies, according to the uthor, that the present overemphasis n the political or administrative genealist at every level has to be drasticlly reduced. It was therefore extremely nfortunate that the move to constitute n all-India agricultural service which vas recommended by the Royal Comnission on Agriculture has not yet been iven effect to. It must be understood hat participation does not mean nterference and formal democracy s no compensation for functional debiity.

outmoded cliches

If this has been the state of affairs n a state such as Andhra Pradesh with vast agricultural resources, hardworking, forward-looking and progressive peasantry, one can very well imagine the havoc played by decentralised democracy in less fortunate states. No wonder, in Maharashtra where democratic decentralisation has been carried to the maximum, the rate of growth of agriculture is the lowest. It should be noted by all those who matter that the changing conditions demand bold repudiation and abandonment of outmoded practices, fetishes and cliches that are wrongly associated with democracy and are impairing agricultural development. It must be understood that without results democracy would mean nothing to the masses and will not take roots in their hearts.

Though the author has concentrated his attention on Andhra Pradesh, the findings are of national significance making the study valuable to students, teachers, public administrators and above all to policy-makers.

Foreign Investment in the United States

The British-North American Committee was established to study the developing relationships between Britain, the United States and Canada. It seeks to promote clearer understanding of the economic opportunities and problems facing the three countries, to explore the areas of cooperation and of possible friction and to discover constructive responses. The committee firmly believes that sound relations between these three countries in the context of an increasingly interrelated world are essential to future prosperity of these countries. It therefore seeks to promote understanding through the collection of facts and their dissemination. To serve this purpose the committee has been sponsoring a series of studies undertaken by experts in these countries, *Foreign Direct Investment in the United States—Opportunities and Impediments* happens to be one of the monographs published by the committee.

According to Simon Webley the official data concerning foreign direct investment in the USA is limited and to some extent even suspect. In spite of this, it appears to be clear, according to the author, "there exists a marked imbalance between long-term capital exports, the total cumulative book value of which is estimated to be over $100 billion and long-term capital import, the cumulative 'book-value' of which is estimated to be over $17 billion. The recent increase in the momentum in foreign direct investment (FDI) in the USA is probably the beginning of a redress in this balance. Although companies based in the UK and Canada have generally been dominant investors in the USA, there are however signs that Japanese and West German companies are also attracted to direct investment there. The author has rightly hinted that so far there is little evidence that Arab oil revenues are finding their way to the USA as direct investment, though as petrodollar surpluses build-up, the portfolio market is likely to receive a proportion of funds.

Further it is observed that the world economic climate which since the end of World War II had made western Europe an attractive location for US direct investment has changed radically. The gap in the comparative costs of production in the USA and western Europe is narrowing and the growth in the scale of European and Japanese companies has brought about almost fundamental changes and has made it essential for them to have a physical presence in "what is still the richest market in the world." This has naturally affected foreign direct investment in the USA.

The official US attitude to FDI is generally to welcome it and treat it in the same way as it treats indigenous capital. Though the federal government does not have the investment incentive schemes that many European countries provide, a growing number of states, it appears, are developing elaborate and well publicised schemes and methods of attracting direct foreign investments.

In recent years concern has been expressed about the possible effects of foreign ownership of US based companies. Though such qualms are understandable, the author is of the opinion that "there is little evidence that foreign ownership will be harmful to US interests any more than US ownership of western European or even Canadian companies has proved deterimental to national or local interests." The author has however pointed out that there exists a considerable armoury of restrictions on types of FDI at both federal and state levels. These restrictions are both legal and administrative and have created the impression of difficulty for potential direct investors from abroad. The author however believes that "the existing safeguards some of which discriminate in favour of US citizens, together with the application of existing US laws on the basis of non-discrimination should prove sufficient to ensure mutual benefits to both investors and the host country."

welcome step

According to Webley the need for more factual information on foreign direct investment has been felt by nearly all the developed countries and most governments have already made thorough surveys of the FDI in their own countries. No such survey was however made in the USA since 1959 and therefore the advent of the Foreign Investment Study Act of 1974 is to be welcomed.

Though it is only a brief study of FDI in the USA, it gives sufficient idea of how even the most highly developed among nations is trying to attract foreign investment. By implication it also shows the attitude which the developing countries should adopt in regard to foreign direct investments and the precautions they should take against the

possible dangers arising out of them.

Three Approaches to Economics

After Dr Alfred Marshall's *Principles of Economics* became out of date, there has been considerable amount of disagreement on how to write a text-book on economics, especially for beginners. Recently Joan Robinson has made an attempt to come out with a solution to this problem. Similarly dissatisfaction wlth the existing introductory text-books on economics has compelled the five joint authors to come out with *Introducing Economics* which is intended for those coming to economics for the first time.

Generally three approaches suggest themselves to the study of economics—historical, market analysis and non-market analysis. Each approach has its merits and defects. The authors therefore have decided to follow an approach which combines all the above three approaches.

In part one, the authors have defined the task of economist, the economists' role being that of "aiding Man in his attempts to control his environment, and attain some satisfaction of his wants, so as to make possible the development of culture."

After the initial discussion of the meaning of scarcity and relationships between wants and goods which satisfy them, a study is made of the processes of institutions used and devised by man to overcome the scarcity problem. In this connection the authors have discussed the problem of over-population and pollution.

Production is not the only method of increasing a community's well-being: other methods are exchange and trade. This has necessitated the discussion of money and the authors have rounded this part with the introduction of time dimension and discussion of how the use of resources can be spread over time so that beneficial trade-off can be effected between present and future consumption.

In part two the authors have turned their attention from the discussion of universal economic problems to something more specific—how resources are allocated—and the different methods men have adopted to do this. After analysing the market mechanism as a means of allocating community's resources, the authors have analysed the consequences of state interference with market processess, with particular reference to housing and labour-market. The concept of 'a charity demand' is analysed and the idea of expressing market relationships as a set of simultaneous equations is explained.

In part three, the logic of choice is developed in a way which indicates how economists create a theory and how they develop and generalise it. Utility and benefit are a recurrent theme and costs are presented as the loss of benefits from rejected choices.

Part four is a mathematical interlude and is concerned with the mathematical tools used earlier in the book though only implicity. Part five deals with the theory of the firm, the firm being introduced as an alternative mechanisim for monitoring the work of the factors of production, particularly labour. Various firms—households, corporations and the state—are considered. Part six begins with some general principles of organisational behaviour irrespective of market structure. All organisations need rules by which to attain their objectives and the rule stressed in this part of the book is that at the margin expected benefits must equal expected costs.

social contract

Part seven views various topics in the light of the social contract and the historical interpretations of Marx and Keynes. The authors have analysed the meanings and origins of profit and surplus. The marginal productivity theory is subjected to severe criticism and its limitations exposed.

Part eight deals with the overall behaviour of the economy—the subject matter of macroeconomics. The authors have analysed a version of Keynesian model of income determination based on the circular flow of income. The withdrawals from and injections into the flow of income are considered under saving, imports, taxes, investment, exports and government expenditure. The conditions of the equilibrium level of incomes are then analysed by means of aggregative demand and supply apparatus.

Part nine deals again with the market system which is seen to give rise to under-consumption of some goods and over-consumption of others. The intervention of the state and the alternatives of taxation, printing money and borrowing are analysed. The authors have also analysed the problems of poverty and inequality in a community and the problems of decision-making in the state.

In part ten—the last part—the authors have briefly touched on 'Yo[…] Problems' in which they have referr[…] to uncertainty, automation, distributio[…] of wealth, urbanisation, war, the thi[…] world and conservation.

It is observed that the scope of th[…] book is fairly comprehensive. What [...] remarkable is that unlike most tex[…] book writers during the present centu[…] who have shown reluctance to make valu[…] judgements and have concentrated o[…] 'positive' as opposed to 'normative' sid[…] of the subject, the authors have mad[…] bold to combine economic analysis wit[…] value judgements. The authors there[…] fore could conveniently analyse the con[…] sequence of the policies they have ad[…] vocated. Also in looking closely at th[…] working of the state and in highligh[…] ing the problems of income distribution[…] poverty and inequality, the authors hav[…] made an attempt to reinstate economic[…] as a moral science.

Another remarkable feature of th[…] book is that while in most other text[…] books, institutions and non-market ana[…] lysis is largely ignored, they are inclu[…] ded in this book as an integral part o[…] economic theory as "about nine-tent[…] of the human drama has been enacte[…] in non-market economies." Contem[…] porary economic theory is viewed in it[…] historical context, demonstrating th[…] way in which theory has emerged from[…] historical problems and then teste[…] against real world examples. The lan[…] guage of the book is superb and ex[…] position throughout lucid, instructiv[…] and interesting. While disagreemen[…] may arise because of the value judge[…] ments of the authors, there is no gain[…] saying the fact that it is precisely tha[…] which makes the book interesting. On[…] is afraid there is nothing which is eve[…] remotely comparable to this book b[…] Indian authors and in Indian Languages[…]

Export Control

Completing the GATT—Towards New International Rules to Govern Export Controls is a monograph on export restrictions which are becoming very popular i[…] most of the countries during postwa[…] years.

To most people after the first World War trade policy or trade barriers mean[…] controls over imports that impede or ba[…] access to home markets. Since the end of the World War II, attempts at trade liberalisation therefore came to mea[…] essentially liberalisation efforts of reducing such barriers. The efforts attaine[…] considerable success under the aegis o[…] the GATT.

After 1950s, however, the oil and foo[…]

and the surge of worldwide infla-
y pressures appear to have focused ion on the reverse problem namely ols over exports that impede or bar to supplies. Along with import ctions which have been continuing te of the efforts to bring about libe- tion, export controls have become jor adjunct of foreign trade policy of of the developed and developing tries at present.

t present export controls, perhaps, more than import controls, have im- nt security as well as economic im- tions. The major purposes of export ols include holding on to key products as food and fuels) to protect a coun- own security denial of benefits of trade olitical adversaries and the expansion uch benefits to allies. Thus through- he postwar period the USA and to ser extent its allies used export con- to try to limit the military and econo- capacities of the USSR and other munist countries. And the limita- of oil exports by Arab producers in 3 in an effort to change Middle t policies of the USA and virtually y other country in the world has dra- ised the issue of access to supplies e than any other single event.

rious illustrations

The author has given various illustra- ns to indicate the purposes for which ort controls have come to be imposed se days. Thus the USA imposed con- ls on the export of soybeans in 1973 restrain domestic prices; the USA im- sed controls on exports of fertilisers in 73-74 and EEC in 1973 on wheat and for the same purpose; the Philippines posed export controls to seize earnings nerated by other countries' import con- ols; several countries have resorted to port controls to conserve limited fore- exchange; Pakistan resorted to export ntrols in 1972 in respect of leather to omote domestic processing indus- es; the UK practised similar measures respect of copper scrap to avoid shor- ges; many countries have been impos- g export restrictions to raise revenue; e USA and COCOM practised export ntrol policy since 1949 in regard to eir exports to the communist countries limit those countries' military and onomic potential; Japan resorted to ex- ort controls in 1956 in respect of texti- s to 'head off import controls' and in 971 in regard to several industries to re- uce balance of payments surpluses; and everal Arab oil produsers have resorted export restrictions on crude oil to hange other countries' and especially hat of the USA and Netherlands' foreign olicy.

The different methods of export controls followed by different countries are quantitative restrictions on exports, taxes on exports, quantitative restrictions on domestic production and taxes on domestic production.

This new development in the sphere of export controls has raised various problems especially since GATT has been trying to bring about liberalisation of import controls. Thus every country affected by export controls of others has been viewing them as a threat to its own national objectives, and at the same time recognising that the ability to employ such export controls presents it with a new policy instrument.

complex considerations

But once the countries begin to think seriously about the long-term implications of a world free from the application of export controls, their positions will be determined by far more complex considerations. Many long-run economic interests of commodity-exporting countries themselves may be hurt by such export controls; even countries which are not exporters of commodities rely on imports for a large number of key products. Each nation will have to consider the broad international ramifications of a world open to export controls. And finally a proliferation of export controls would lead to new international monetary problems. In sum, widespread resort to export controls could trigger the same cycle of emulation and retaliation which resulted from the widespread resort to import controls during the 1930s and subsequent period.

The author therefore rightly thinks that there is a strong case for a new international framework to deal with export controls.

The author is of the opinion that a set of rules on export controls should have four immediate goals: (a) to deter producing countries from erecting export controls except in clearly defined and justifiable circumstances; (b) to reinforce that deterrent by providing a basis for concerted response by the world trading community; (c) to limit the scope and duration of those controls which are actually applied; and (d) to provide an international framework into which disputes triggered by export controls can be channeled to reduce the likelihood of unilateral reactions and emulation/retaliation cycles.

The author has suggested the following rules or framework to reduce the possible dangers of widespread use of export controls. According to him there should be some minimum requirements for international notification of and consultation on, the imposition of any new export controls. A second step would be to subject to multilateral surveillance any proposals for new export controls and the way in which any such controls are actually administered. According to the author, such surveillance could be based solely on *ad hoc* judgement concerning individual restrictions as they come to be adopted.

The author, however, is of the opinion that there will have to be a national security exception to any limits to export controls. Further, export controls should be allowed only when the failure to adopt them will result in serious injury or the threat thereof to the economy of the country involved. Also the author is of the opinion that export controls should be permitted for 'infant industry' purposes. There should also be agreement on what type of export controls are to be allowed, if they are to be allowed for any of the bona fide purposes. And any use of export controls should be strictly limited in time and/or tied to domestic adjustment measures.

defusing the threat

According to Bergsten the whole objective of his exercise is to minimise the use of export controls and 'defuse the resulting threat of political confrontation.' He is of the opinion that though one of the basic thrusts of the original GATT agreement was to liberalise existing import controls, it would also be desirable to negotiate reductions in the existing export controls.

There is no doubt that there has to be a broad framework within which restrictive trade policies and practices in the sphere of international trade must operate. But the experience during the 1960s and 1970 has shown that the share of developing countries in international trade is continually falling to the detriment of developing nations. It therefore follows that while accepting a broad framework of international trade, attempts will have to be made to take the special problems of developing countries into consideration and adequate special provisions will have to be provided to developing countries. The awareness of this is hardly visible in the writings on international trade either by Harry Johnson or most other western authors whose traditional practice has been to adopt a theory which seemingly appears to be of general validity but which in effect benefits the developed countries only or mainly. One is afraid that C.F. Bergsten has not shown adequate aware-

ness of the international trade problems of developing countries.

Marketing Farm Produce

Unless the farmers are able to dispose of their produce profitably, there will hardly be any incentive for them even to sustain the present level of production, let alone augmenting the same. It is gratifying that of late the subject of agricultural marketing has been receiving some attention as marketing is an important part of the production process.

Marketing of Agricultural Produce in India by A. P. Gupta based upon his doctoral dissertation on 'Agricultnral Marketing in Uttar Pradesh' submitted to the University of Lucknow, seeks to present in a comprehensive way all the relevant information that a student of agricultural marketing may wish to know. The author has dealt systematically with all the aspects concerning marketing namely definition, channels of distribution, transportation, storage and warehousing, grading and standardization, marketing finance, risk-bearing, market information, produce exchange, marketing costs and efficiency, cooperative marketing and the role of state in the field of agricultural marketing. It is noteworthy that besides dealing with the theoretical aspects of marketing, the author has included in this book a discription of marketing of important commodities such as rice, wheat, cotton and tobacco.

significant aspects

Since it is an exhaustive thesis reference can be made here only to certain very significant aspects of agricultural marketing in India. It is thus unfortunate that there are not yet adequate facilities for storage and warehousing in the country which is basic to satisfactory agricultural marketing. The same disappointing story repeats itself in regard to grading and standardization which is an essential feature of satisfactory marketing. The unfortunate defect in the present system of grading under the act is that grading of agricultural commodities takes place only after the farmer has sold the produce to the trader which means the farmer is not in a position to derive the benefit of higher prices accruing from grading.

In regard to market information the author has pointed out that on account of mass illiteracy among cultivators and multiplicity of languages, it is very difficult to communicate with Indian farmers. Similarly with different systems of weights, measures and practices, late arrival of information regarding prices and such other difficulties, conditions in regard to market information is deplorable. The author has suggested some measures of improvement in this regard. He has suggested that there should be standardized codes and proforma in price collection, greater frequency in AIR broadcast giving prices, correct and intelligent interpretation of price data by suitable agencies, provision of more radio sets to villagers, posting of well-trained staff to regulated and other markets and proper coordination between marketing intelligence authority and policy-making authority through regular meetings.

Having fairly exhaustively analysed cooperative marketing and regulated markets, the author has emphasised that state must play increasing role in regard to market surveys, regulation of market practices, grading and standardization market extension and market intelligence.

But the best part of the book is commodity marketing in which the author has discussed the way important commodities such as rice, cotton, jute, sugarcane and tobacco are marketed at present in India. One is appalled to find that rice growers get only about 56 per cent of what consumers pay and conditions are not far dissimilar in respect of other commodities. The descriptions of the defects of marketing of these commodities, namely their assembling and grading methods, basis of sales and financing and their transportation and so on enable the readers to have a better understanding of the theory of marketing.

All in all the author has given an exhaustive survey, if not a very critical one, of the marketing of agricultural produce in India and the book should prove useful to students of the subject as also to trainees in the various marketing and cooperative training institutes.

Tax Policy

In spite of the re-emergence of monetary policy during 1950s, fiscal policy continues to be the main instruments of economic policy aimed at attaining various objectives such as full employment, price stability, rapid economic growth, balanced regional development and equitable distribution of income and wealth. Schumpeter is perfectly right when he writes that the entire economic history of a country is determined by its fiscal history and that "the spirit of a people, its cultural l[...] its social structure ..., all this is [...] ten in its fiscal history...." It is th[...] fore heartening that more and [...] attention is being paid in India to [...] problems of fiscal policy.

In *Tax Policy* T. Mathew has g[...] a critical review of some aspects of [...] theory of taxation in relation to [...] Indian practices and experience. In [...] context of India's desire for developm[...] with stability and social justice, [...] policy has come to occupy a cru[...] role among the instruments of econo[...] policy to achieve these objectives. Th[...] is however widespread criticism [...] the potentialities of this instrum[...] have not been fully exploited, especi[...] in regard to certain sectors of [...] economy, notably the agricultural sec[...] The author has made an attempt [...] assess the impact of direct and indi[...] taxes on the non-agricultural sec[...] of our economy and their role in mo[...] lising resources for development an[...] the same time in achieving some m[...] sure of reduction of disparities in inco[...] distribution. He has also made [...] attempt to give a review of the [...] policy objectives and the extent to wh[...] these have been realised during the f[...] five-year Plans.

objectives of taxation

The author begins by providing [...] various objectives of taxation—effici[...] resource allocation, reduction of ineq[...] lities in income and wealth, stabilisat[...] (either of income, or price level, emplo[...] ment level or the balance of paymen[...] and economic development.

While analysing the topic of econo[...] surplus and its mobilisation for de[...] lopment, the author has analysed [...] concept of 'fiscal illusion' (analogous [...] the concept of money illusion) which [...] bound to have a very vital bearing [...] the fiscal policy. Fiscal illusion is [...] situation in which we, the public [...] hoodwinked into believing that [...] burden of taxes levied is much less th[...] what it actually is, and on the contra[...] the benefits we receive from public [...] penditure are much greater than wh[...] they really are." As in the case of mon[...] illusion, the existence of fiscal illusi[...] is also likely to affect our ec[...] nomic behaviour and as a con[...] quence affect the aggregate functioni[...] of the economy. Thus it follows th[...] greater the degree of fiscal illusion th[...] the government's budgetary propos[...] are capable of generating, easier wou[...] become the task of raising financ[...] resources for whatever purposes these a[...] required.

What is of great theoretical sig[...]

ficance is that the importance of the concept of fiscal illusion is to be found in the possibility of discarding the public finance textbook notions of the benefit theory and ability theory of taxation.

As the author has remarked "Any finance minister who is capable of manipulating the budgetary proposals so as to create the illusion of a lighter burden of the taxes imposed than it actually is and a magnified picture of the benefits conferred upon the public through public expenditure, would indeed be very popular besides being a successful minister of Finance,"

Against the background of the analysis of the principles of taxation, the author has analysed the taxation policy of the government of India since 1951. It is seen that the overall revenues from taxes show a steady increase over the Plan period; but expenditure met out of taxation has also increased considerably.

Cause for worry

In this expanding rate of revenues and of expenditure, one aspect which is of significance is the fact that during the period of the first three five-year Plans the overall budgetary deficit has been an annually recurring feature of the finances of the government of India, except for the year 1951-52. We notice that as a proportion of total expenditure, the overall deficit increased from 11 per cent in 1952-53 to more than 25 per cent in 1965-66. Of course budget deficits are not bad *per se*, but it is the financing of this deficit that is causing worry.

With a declared policy of self-reliance, there has been steady increase in the reliance placed on external borrowing to finance the deficit. Thus during the first Plan 9.2 per cent of the deficit was financed through foreign loans; during the second Plan period this percentage went up to 49.2 per cent. In constrast, the author has pointed out that reliance placed on domestic market loans to cover the deficit has been steadily declining over the period, the percentage, coming down from 35.4 during the first Plan to 25.2 during the third Plan.

If reliance on foreign loans has to be reduced and if domestic voluntary savings are not forthcoming to the desired extent, the logic of circumstances seems to indicate the need to expand the volume of public savings.

But unfortunately the trend in our public saving has not been very encouraging. The total net savings of the central government as a proportion of national income amounts to just around one per cent. It is necessary that this magnitude is raised considerably.

The author has also shown how the fiscal policy of the government of India does not seem to have made any significant dent in the hard problem of inequalities in income distribution and consequential economic and social manifestations in India. On the contrary there is evidence to show that the situation is worsening in this respect.

And yet in spite of the failure to come up to expectations on the two scores, fiscal policy still remains the major instrument of achieving the objectives of economic policy in a greater measure than possibly through any other economic policy instrument. It is therefore unfortunate that the potentialities of tax policy have neither been appreciated nor been made use of by the government of India.

Tax Policy by T. Mathew is an excellent book which explains adequately the various developments that have been taking place in this field since 1951. The book will certainly be of great use to students of Indian economy.

A Valuable guide

Directory of Trainers: Edited by Udd[e] Kohli; published by the Indian Soci[ety] for Training and Development; Pp 1[…] Price Rs 28.

Reviewed by **B. Ganapathy Sarma**

THE ACCENT now-a-days is on training a[nd] a large number of companies, governm[ent] undertakings and departments and ot[her] institutions are organising a series of tra[in]ing and development programmes [in] order to build up a cadre of well-inform[ed] executives at all levels. But the probl[em] faced by the organisers is to identify a[nd] locate the right type of personnel for th[e] programmes. Hence there has been a lo[ng] felt need for a directory which could g[ive] at a glance precise, useful and authoritat[ive] information regarding the skilled as w[ell] as well-experienced trainers available [in] almost all the fields of economic activi[ty]. This lacuna has eminently been filled by the Indian Society for Training a[nd] Development by bringing out an up-to-da[te] Directory of Trainers. The directory is [a] pioneering attempt to present informati[on] on over 600 trainers. The data has be[en] classified by functional areas, secto[rs,] geographical areas and types of organis[a]tions to which the trainers belong. It [is] hoped this directory will be of consider[]able help and immense use to all instit[u]tions which are interested in the devel[op]ment of skills and standards in its perso[n]nel as well as to those who are engaged [in] the development of human resources.

Books Received

Commercial Directory of Textile Shops in Calcutta: Compiled by the Market Research Wing, Textiles Committee; Published by the Secretary, Textiles Committee, 79 Dr Annie Basant Road, Worli, Bombay- 400 018; Pp. 739; Price Rs 100.00.

Jayaprakash Narayan—A Political Biography: Ajit Bhattacharjea: Vikas Publishing House Pvt. Ltd, 5 Daryaganj, Ansari Road, Delhi 110 006; Pp. 186; Price Rs 30.

India After Nehru: Kuldip Nayar; Vikas Publishing House Pvt Ltd; Pp. 290; Price Rs 28.50.

West Bengal—the Travail Continues: Sponsored by the Bengal Chamber of Commerce and Industry; Published by Oxford & IBH Publishing Co., Park Hotel Buildings, 17 Park Street, Calcutta-16; Pp 74.

Membership and Non-membership in the International Monetary Fund: Joseph Gold; Published by International Monetary Fund; Washington D.C. 20431 USA; Pp 683; Price $ 10.00.

Educational Challenges in Socialist Indi[a]: Edited by S.P. Ruhela; Kalyani Publ[i]shers; Distributed by Lyall Book Depo[t], Chaura Bazar, Ludhiana; Pp. 22[…] Price Rs 34.

India's Socialist Princes: Benedict Cost[a]; Kalyani Publishers; Distributed [by] Lyall Book Depot, Chaura Bazar, Ludh[i]ana; Pp. 199; Price Rs 9.

This or Else..A Masterplan for India[']s Survival: Dinshaw J. Dastur; Jaic[o] Publishing House, 125 Mahatma Gandh[i] Road, Bombay-1; Pp. 184; Price Rs 35.

Rural Industrialisation: O.P. Jain; Com[]mercial Publications Bureau, A-2/10[…] Safdarjang Enclave, New Delhi-110 01[6]; Pp. 311; Price Rs 75.

Import: Commercial Practices Law an[d] Procedures: V.G. Vaze; Popular Pra[]kashan Pvt. Ltd, 35 C, Tardeo Roa[d], Bombay-400 034; Pp. 260; Price Rs 25.

Agricultural Statistics in India: P.C. Bansi[l]; Arnold Heinemann Publishers (India) Private Ltd; A 13/9, Safdarjang Enclave, New Delhi-110 016; Pp. 454; Price R[s] 19.

Ianagement of economy should be disciplined

—Mrs Indira Gandhi

UGURATING THE 48th annual session of Federation of Indian Chambers of nmerce and Industry (FICCI), the ne minister, Mrs Indira Gandhi, le a pertinent reference to the prevail- international economic situation be- s reviewing the developments in this ntry's economy. She said that there e no signs yet of any significant reduc- n in inflationary pressures on the global ne. The prices of imported fuel, food- ins and fertilisers continued to be high I that affected the costs and prices in r own economy. The recessionery trends the world had introduced uncertainties garding our exports. The country was ed with a high import bill and reduced port earnings with very little assistance her from the oil-surplus countries or e developed countries. Even though a mber of conferences had been held and clarations had been made, no tengible sults had followed. In view of these essures, she said that the internal ma- gement of the economy should be dis- plined. She also emphasised that there uld be no easy way for any one group d that all had to accept the discipline d the imperatives of the situation.

Full text of her speech is given below:

These annual sessions of the Federation hould not be regarded as a ritual, but as n effort to improve the national economy nd the performance of the private sector hich is an integral part of it. They hould be used to enlarge understanding. rgument and polemics or the revival of ld controversies do not take us far. Let s try to be positive and be willing to keep ace with changing times. Your wide- anging speech, Mr President, makes my ask easier, because by and large it is cons- ructive.

relaxation premature

You have made appreciative reference o the success of the government's anti- inflationary measures. But we cannot be prematurely jubilant. Inflationary pres- sures have not yet been fully contained and it would hardly be wise to relax some of the measures.

Government has pruned its Plan and non-Plan expenditures as part of its anti- inflationary programme. But govern- ment's self-restraint will be set at nought if the private sector is allowed easy access to credit. Bank credit to industry by re- course to refinance by the Reserve Bank has the same inflationary consequences as deficit financing in government. Business and industry should appreciate this point. Government is accused of hurting the economy through deficit financ- ing, but the fact is ignored that bank credit to industry also causes damage unless it is based on the mobilisation of real resources by the banking system. This is the crux of our credit policy. Tight money policy may have resulted in denying credit to some priority sectors or projects. If so, the needs of such priority sectors should be reviewed, and credit on a selective basis should be provided to them. There can be no general liberalisation. It also follows that if some priority industries such as ex- port-oriented ones or those producing goods for mass consumption need larger credit, some other sectors of lower priority will have to manage with less credit. There have to be some cuts and all that industry can legitimately plead is that such points should be judiciously and carefully chosen.

tapping private savings

You have referred to the paucity of re- sources with public financial institutions as a major element in holding up the frui- tion of industrial projects and have com- pared this to salt. We all know that too much salt is injurious to health! Many pro- jects in the private sector cannot fructify without loans from public financial insti- tutions. We do want to increase the rate of growth of industrial production. The Finance minister will examine the re- sources position of the public financial institutions and see how it can be improv- ed, with due regard to other economic compulsions. But is it healthy for industry to rely almost exclusively on term finance provided by public finan- cial institutions for its programmes of expansion? Industry should undertake critical appraisal of its own performance in mobilising resources. I wonder if industrialists, even those who command the confidence of the investing public have done all that they can to tap private savings for investment. After all, in the early days of our industrialisation, long before we set up financial institutions in the public sector to lend to industry, in- dustrialists did show imagination and drive in attracting investors to support their pro- jects. This is the time for our industrialists to exhibit a spirit of enterprise in raising capital. A far greater effort could be un- dertaken to cut down costs, check wasteful expenditure and conserve resources to be ploughed back for expansion. Legislation on the limitation of dividends must have left many industrial units with additional resources. How have these resources been utilised?

economies in production

One cannot think of reducing interest rates when savings are inadequate and capi- tal scarce. Interest forms a very small por- tion, about one to two per cent of the cost of production. The increase in the interest rate can at worst have only a marginal effect on the cost of production. Even this can and should be absorbed through economies in production and better in- ventory management.

I agree that the steep rise in the capital costs of projects poses a serious problem. Government is looking into this problem as well as its implications on prices. We hope to reach some conclusions soon. We should also examine whether the cost of capital in such cases can be reduced to some extent.

The key to the revival of the economy lies in augmenting public investment. This year's budget seeks to do this within the constraints in which it has been framed. You have given a detailed account of the bright features of the economy. Govern- ment is keeping a close watch on the per- formance of the economy. Depending on trends in the coming months, measures for further increasing investment will be seriously considered. In the meantime, we should ensure that available resources, whether in the private or the public sec- tor, are consciously directed to those lines of production which will strengthen the economy and will make possible higher in- vestment in the near future.

We are making a determined and tre- mendous effort to stimulate agricultural production which has a decisive impact upon the overall economic outlook. The further success of our stabilisation pro- gramme is largely dependent upon our ability to take farm output well above the level where it has hovered for the last four years. The rabi crop has been satisfactory

in spite of the steep rise in fertiliser prices. We are also strengthening our distribution mechanism and the arrangements to ensure supplies of basic needs.

We have also to take note of the prevailing international economic situation. There are no signs yet of any significant reduction in inflationary pressures on the global scene. Prices of imported fuel, foodgrains, fertilisers, etc. continue to be high and these affect costs and prices in our own economy. There are parallel recessionary trends which have introduced uncertainties regarding our exports. The situation is an unprecedented one. We are faced with high import bills and reduced export earnings with very little assistance, either from the oil-surplus countries or the developed countries. In short, the international economic situation is not conducive to the stability and progress of poor developing countries. Fundamental changes in the world economic order are essential for the access of our goods into the markets of developed countries, to re-cycle petrodollars, to increase international liquidity; and to link development assistance with SDRs and so on. A number of conferences have been held and declarations made, but no tangible result or action has been achieved. In an interdependent world, these issues affect us and our efforts intensely. The internal management of the economy should be disciplined and imaginative. There can be no easy way for any one group. All have to accept the discipline and the imperatives of the situation.

scientists of calibre

Aryabhatta, to which you have referred, our satellite, wholly designed and fabricated in India, is now orbitting the earth. It is evidence of the rapid advances that we have made in the field of electronics in a short span of five to six years and of the excellence and calibre of our scientists and technologists. Our country was known for the high skill of its artisans. But somehow, over the years we have neglected the pursuit of quality. In a sheltered market where demand is large, industry and trade have not hesitated to push shoddy goods. Similarly, in the sheltered employment market of the organised sector, employees have tended to slacken in their service to the public. There should be a national movement in all walks of life and at all levels to improve the quality of goods and of services and to strive towards excellence.

This is International Women's Year. We have many laws and regulations regarding the conditions of service and facilities to be provided for women workers in industry. Unfortunately, implementation has often been symbolic only. Could you not organise a special drive this year to ensure full implementation of these provisions for the welfare of women workers?

I have spoken and written to many of you regarding the urgent necessity of every industrial venture taking all steps to prevent pollution of air, land and water. It will mean extra expense but I am afraid this just cannot be avoided. There are some laws but the unfortunate tendency is to find loopholes so as to bypass laws. Not only should laws be adhered to, but industry itself should be vigilant about possible pollution or other harm that can be caused to the environment or the people working in, or living around, the industrial complex and should advise us about these matters. As a result of my letter an excellent booklet on the subject has just been brought out.

family planning

Similarly, I would say that every industrial complex should have a special programme of family planning. I know that many of them do, but I think that this matter also needs urgent and immediate and more determined efforts.

I am glad to note the stress laid in the presidential address on social justice and the social responsibility of business. It has characterised the profit motive without consideration of social benefit as a 19th century concept. If the people feel that policies are being pursued that are of advantage only to a few and not the many, tension cannot be avoided. It is government's duty to prevent and resolve content. Industry and business must the effort by winning the trust of people — not only of their own wor to ensure better production — but of community as a whole. As citizens are entitled to your political views, you do have a responsibility to see harmony and stability are in no way kened at a time when we face so m international dangers, economic and tary.

welcome change

I feel in the last years a change in outlook and the attitude of business this I welcome, but we need all efforts in this I include the government — change even more because it seems to that in our country as well as in most of countries we are tackling the challenges a new era, a new world with outmo concepts and even outmoded methods don't have the solution, I might as tell you frankly, but I think the situat is dangerous enough, not dangerous in way that there is imminent collapse anything like that, but dangerous in sense that this country is so large that w happens to it and in it will influence world to some extent. And therefore have to deal not only with problems wh are evident today, but with problems wh will arise in the future and which we cann wholly envisage today, but of which have some vague inkling.

I have great pleasure in inaugurati your Conference and wish you every su cess.

Office-bearers of FICCI

Mr Harish C. Mahindra was unanimously elected President of the Federation of Indian Chambers of Commerce and Industry (FICCI) for 1975-76. Mr. M. V. Arunachalam was elected Vice-President.

The following were nominated to the Committee of the Federation: Mr K.K. Birla, Mr. Ramkrishna Bajaj, Mr Shriram C. Chokhani, Mr O.P. Khaitan, Mr M. M. Tayal, Mr Raunaq Singh and Mr. H. L. Somany.

The Standing Advisory Committee was constituted with the following: Mr Harish C. Mahindra, Mr M. V. Arunachalam, Mr K.K. Birla, Mr Pravinchandra V. Gandhi, Mr H. S. Singhania, Mr Prem Chand Jain, Mr K. N. Modi, Mr V.D. Chowgule, Mr R.P. Goenka, Mr M.K. Mohta, Mr B.P.Poddar, Mr Viren J. Shah, Mr J. H. Doshi, Mr A. K. Jain, Mr D. N. Patodia and Mr V. H. Dalmia.

K.K. Birla pleads for liberalisation of credit

[W]ELCOMING THE prime minister, Mrs [I]ndira Gandhi, to the 48th annual session [o]f the Federation of Indian Chambers of [C]ommerce and Industry (FICCI), Mr K.K. [B]irla, the outgoing president, not only re[v]iewed the current economic situation in [th]e country but also put forward certain [v]aluable suggestions for the consideration [o]f the government. He said that rapid [g]rowth in the economy needed liberal [fi]nance but the government had been afraid [o]f launching upon this course because of [t]he fear of a relapse of inflation. Mr Birla [s]aid that prices in the last six months had [b]een checked and had even fallen. Agri[c]ultural production had revived and there [w]as considerable unutilised capacity in [i]ndustry to absorb any excess demand that [m]ight be generated. In this context, he [w]as firmly of the view that selected libera[l]isation of credit would act as an impetus to production rather than push up prices. He added that it would assist the economy to get back on its feet and start moving. Excerpts from Mr Birla's speech are given below:

positive achievement

This year marks the twentyfifth Anniversary of our Republic, a quarter of a century of considerable positive achievements coupled with stress and strain. We have had droughts and wars, violence and disorder, strikes and lockouts, which gave moments of dismay and anxiety. We have surfaced out of these vicissitudes as a mature nation dedicated to democratic values. What else is this but an eloquent tribute to the visions of our leaders, and to the institutions they devised and nursed? It is this continuing tradition of imaginative leadership, Madam prime minister, which has led to the resolution of the apparently intractable problem of Kashmir, provided an answer to the recent animated Gujarat election issue and the democratic struggle in Sikkim. It is a matter of pride to the entire nation that last year was remarkable for progress in the technological field which promises to give a new dynamism to our developmental effort. The explosion of the nuclear device in May 1974 was followed by the commissioning of the Bombay High project. This is not all. We have also entered the space age, and our scientific satellite. "Aryabhatta," is orbiting the earth. These exemplify the technological breakthrough that the country has achieved under your courageous and farsighted leadership. Our nation has aspired high—"A man's reach should exceed his grasp; or what's a heaven for?"

It has, however, been a difficult year, and almost every country has gone through sharp ups and downs — from high speed inflation to a perceptible recession. The global inflation-recession syndrome is largely a reflection of the excessive consumerism that has characterised the economies of the affluent countries. A fear psychosis has gripped them now with the realisation that the world's natural resources are not after all unlimited. Consequently, their policies, in some respects, have become more inward-looking.

crushing impact

Take the case of the sharp and dramatic rise in oil prices. Its impact on developloping nations is fierce, almost crushing. An additional $20 billion will have to be found — naturally out of the already insufficient developmental resources. It is highly unlikely that the deficits can be made good by increased bilateral and multilateral aid, unless special assistance programmes are thought of—and thought of fast. Time is the essence in this matter —and time is running out. The international community, and more so the OPEC, has to seriously consider ways of recycling the astronomical petro-funds, which have been accumulated, for the benefit of the developing world.

That is only a start. I submit that the less developed countries, on their part, must accept the fact that the best help is self-help. We in India are fortunate —we have manpower, technology, skills and resources. We have a viable economic system. Public sector enterprises have shown considerable improvement recently; and quite a few of them have started earning a fair return on their capital. Industry's twin arms—the public and private enterprises — share common problems and have identical goals. The crucial question, surely, is not so much as whether a project should be in the public or the private sector; the question is whether the social benefit that proceeds from the project is greater than its social cost. I wish to stress one point—social benefit cannot be measured in terms of monetary return alone. That is naive, 19th century thinking. We have to consider the kind of output that will emerge, the level of employment that will be generated, the amount of exports that will be undertaken and the distribution of income that will follow. To talk of production without social justice is as futile as to talk of social justice without production. The two go hand in hand. They should blend, interact and harmonise. It seems to me that a mixed economy operated on this pattern will promote [a] higher rate of growth and be of great[er] value to the people.

The past is an achievement, the futu[re] is only a goal; the present is what we ha[ve] to act on. The shape of our policie[s] therefore, should reflect a synthesis be[t]ween short term needs and long term o[b]jectives. Two dominant features ha[ve] characterised our economy in the la[st] three years — inflation and stagnatio[n]. In the 28 months since June 197[2] prices spiralled by as much as 68 per cen[t]. This clearly reflects the difficult suppl[y] position, which was more pronounce[d] in agriculture than in industry. The go[v]ernment took timely, bold and impres[s]ively unconventional measures like par[t]ial wage freeze, compulsory depos[it] scheme and credit control, to disciplin[e] soaring prices. The FICCI had lent sup[p]ort to these measures, which were aime[d] mainly at demand management. The[y] did have a distinctly sobering effect; i[n] fact, since October last prices have drop[p]ed by about seven per cent. This is [a] commendable achievement, but certainl[y] not the end of our travails.

slow process

Inflation was only one of the aberration[s] in the development process. The problem was that the process itself was too slow. In a delicate and difficult situation lik[e] this, it should not surprise anyone if eve[n] the best of policies should give rise to un[-]intended side-effects. What is needed i[s] continuous vigilance, so that the side[-]effects do not escalate into a major mala[]dy. In other words, while directing ou[r] efforts to contain inflation, we cannot le[t] the process of growth to falter.

Recession has become a world-wid[e] phenomenon, whether we call it by tha[t] name or use the fashionable phrase "De[]mand Slump." India has been affecte[d] by it and several of our industries, suc[h] as steel, non-ferrous metals, glass, ra[]yon, cycles, fans, wire and wire rope[s], jute, textiles and machine tools, have bee[n] passing through a recessionary phas[e]. Automobiles, wagons, and mini-ste[el] plants have been the worst hit. Nor[]mally, a fall in prices is good provide[d] the fall is due to increased productivit[y] or results from economy in costs. Whe[n] prices fall because of distress sales, th[e] economy signals danger. Consider th[e] inescapable chain — poor offtake an[d] accumulation of stocks lead to fall in pro[]duction, and the fall in production lead[s], inevitably, to unemployment. Quite

few industrial establishments have already closed down.

Is it not, therefore, time to consider whether the demand management measures which were effective at the time they were introduced should be modified in the light of the prevailing economic situation? In my judgement, demand management policies have played out their role and should not be allowed to outlive their utility. Let us shift the focus now on revival of demand and in particular on supply expansion. That is the answer not only to the vexed question of inflation but also to the problems of poverty and unemployment. We were hoping that the central budget would help in bringing this about. The budget does take a look in that direction, but the actual proposals are so diluted that they fail to create the type of impact that is necessary. May I suggest, Madam prime minister, that at the present juncture the attention of both government and the private sector should centre on reviving the economy and putting it back on a sustained growth path?

In our development programmes, the importance of agriculture is vital. I am not denying that agricultural progress in several states has exceeded the national average rate. Nevertheless, the impression prevails that the states as a whole have been rather slow in imparting a genuine dynamism to agricultural development. Perhaps the central government should assume greater responsibility in the development of agriculture and in related spheres such as irrigation and power. Agricultural output can be improved by intensive research and development covering potent inputs like seeds and pesticides and by stepping up the production of fertilisers. Organic wastes too can be used to supplement chemical fertilisers to overcome the fertiliser shortage in the country. Research should be the responsibility of not the government alone. The industries directly connected with agriculture too should play an effective role in this field.

priority to production

Production undoubtedly should receive high priority; but it is no less urgent that the distribution system should meet the requirements of the poorer sections of society. The levy on wheat trade which was introduced last year was an admirable idea then, and it has not lost its validity. It is true that the total procurement from farmers by the government and the trade came to 3.3 million tonnes only as against 4.5 million tonnes procured by the governmental agencies in the previous year. The figure does not compare very unfavourably with the performance of the earlier year, specially if all the circumstances are taken into consideration. In my view, the procurement last year would have been much larger had there been greater and timely cooperation from state governments, had procedural delays been eliminated, and had the trade been permitted to offer higher price to the farmer for his produce. That apart, there was a more basic reason for the shortfall in procurement — there simply was not enough wheat. One cannot, howsoever hard one may try, procure what is not there. The decline in the wheat crop was as much as 2.5 million tonnes. The levy on traders, in my opinion, combines the merits of state monopoly with the advantages of free trade. The National Commission on Agriculture also has recognised the practical advantages of dual pricing, with a public distribution system functioning along with private trade. I hope, Madam prime minister, that even at this late stage the government will consider drawing on the experience and services of normal trade channels in the distribution of wheat.

guiding parameters

The size of agricultural output and the level of foodgrain prices are the guiding parameters of our economy. In 1966-68 and 1972-74, when agricultural production plummeted, industrial production languished. In the last two years, capacity utilisation in industries has been low, and new investment sluggish. These two are interrelated aspects, but they need to be considered separately. For instance, if railways do not embark on expansion or renovation programmes, the demand for wagons as well as for steel gets automatically reduced; this leads to under-utilisation of capacity in the wagon, steel and ancillary industries. Expansion of capacity in one industry, therefore, becomes a pre-condition for fuller utilisation of capacity in other industries. It is heartening that the government have taken note of this fact, and in the last central budget an increase of 23 per cent in Plan expenditure has been provided.

Apart from the demand constraint, industry has simultaneously been exposed to acute input shortages, the most important of which is power. There are some signs of improvement in power generation in certain areas. Even so, large parts of the country are passing through a power famine, and the gap between requirements and generation was as high as 35 million units a day in February this year. I feel that the question of power generation is not merely one of equating supply with demand. The supply must always be ahead of demand. This is true of all industries, but more so in the case of a crucial infrastructure li power. Of paramount importance is t management of the power-generati agencies both at the administrative a the technical levels. I will not go into t details now, because they have been sp out from many forums including t Energy Conference that was oraganised us last year.

unhealthy industrial relations

I come now to a very sensitive matt It is disconcerting that the inadequa rise in production has, in some cases, be the result of unhealthy industrial relatio In 1974 the man-days lost due to strik and lockouts exceeded 31 million, whi was about 50 per cent more than the ma days lost in 1973. Increased industri unrest is often attributed to the troubl state of the economy. In such a situatio I would say that greater restraint has be exercised by all concerned so that t economy may recover and push ahe more rapidly. We have all to put o shoulders to the wheel. You had suggest some time back, Madam prime ministe that there should be a moratorium c strikes and lockouts for at least five year I hope that this excellent idea will be give a more concrete shape and a fair trial.

As I mentioned earlier, new investme in industry is not adequately forthcomin The dimensions of the problem are fa larger than is usually realised:

—First, projects have to be economical ly viable. This is particularly true o industries which are subject to pric control.

—Secondly, prices of capital goods hav gone up sharply in the last three o four years making it difficult for th new units to compete with th existing ones.

—Thirdly, the existing units find it difficult to replace assets because o inadequate depreciation allowe under the tax law.

—Fourthly, finance for new investmen has become scarce.

—Lastly, the interest rates have rise steeply.

These are the reasons that prevent new industries from coming up fast enough, despite the speedier clearing of industrial licences. I know that the government are not unaware of this serious problem: but I feel that the principal agencies involved in development—I am referring to the government, industry and financial institutions — should discuss the issues objectively at a common forum and work

a way for evolving acceptable solutions hat economic development is not hin-d in any way. Progress is the need he hour. Allow me to clarify some of thoughts on this subject.

goes without saying that, if price con-s are necessary, the administered prices uld be such as to allow a reasonable gin of profit. With the relative im-vement in the supply-demand situa-, prices in industries such as vanas-, tyres and tubes and automobiles e been decontrolled. This is a for-rd-looking policy: I hope it will be ex-ded to other items. It may be that the tem of price control cannot be abandon-in respect of some commodities, and a thorough revision of prices is found practicable; even then, the special cate-ries of consumers can be catered for by a al pricing system, as in the case of sugar. t me make it abundantly clear, Madam me minister, that our plea for dual cing policy is primarily meant for meet-the demand of the vulnerable section the population and other special cate-ries of consumers at a subsidised price, price which is acceptedly unremune-tive. This loss has to be made good the industry, whether in the public or ivate sector, or sickness will follow. ne open market price which will natu-ally be higher than the subsidised price ill help the industry to recoup losses and rn normal profits.

Even today, in some circles, there is nsiderable misunderstanding about the le of profits. Profits are not gargan-ian capitalist returns. Profits are rea-onable surpluses that have to be genera-ed — and indeed, they are earned by in-ustry even in centrally-controlled eco-omies—to replace assets and finance new nvestments after paying a reasonable eturn to the investors. Profits are one hing, profiteering another. The former is weapon of economic growth, the latter s an anti-social activity.

ncreased capital costs

For quite some time now, new capital ntensive industries have been disabled from coming into existence because of the steep increase in capital cost. In my opinion, production from these new enter-prises, and from undertakings that ex-pand, should be allowed a concession in excise duty. The extent of such concession will vary from industry to industry, depend-ing upon the incidence of capital cost in the final price. Similarly, continued suste-nance of industry requires that capital goods which have worn out or become obsolete are replaced in time. In an in-flationary situation, the replacement cost of capital goods is far greater than the accumulated depreciation permitted under the tax law. To bring the two on a par, de-preciation should be based not on the origi-nal cost, as at present, but on the replace-ment value. When I talk of industry I have in mind enterprises both in the public and private sectors. The logic of costs is universal; it transcends sectoral divisions as much as national boundaries. I am sure that the high-powered committee appoin-ted by the government will take note of these aspects.

Rapid growth also assumes adequate, even liberal finance. I am aware that the government have been hesitant to launch upon a policy of liberalisation of credit for fear it may lead to a relapse of in-flation. May I venture to say that this fear is not warranted? Prices in the last six months have been checked; and are even falling. Agricultural production has revived, and there is considerable unutilised capacity in industry to absorb any excess demand that may be generated. Surely, in this context, selective liberalisation of credit would act as an impetus to produc-tion rather than push up prices; it will assist the economy to get back on its feet and start moving. The whole process, however, would become stable and cumu-lative if proper measures are adopted to generate savings in the hands of the people. That is the crux of the matter.

fillip to investment

The Planning Commission, I recall, had envisaged a net investment of Rs 1250 crores per year, on an average, to be under-taken by private sector industries in the fifth Plan period. At current prices, this would amount to Rs 1866 crores. A large part of this finance will have to come from the financial institutions, but they them-selves are short of funds. If salt loses its savour, how shall it be salted? Why not permit these institutions to utilise the amount out of the resources blocked under wage freeze and CDS measures? After all, the public financial institutions do adhere to the strictest financial discipline; there cannot be any question or doubt about the additional funds being utilised pro-ductively. The financial institutions also have to adopt a more flexible attitude on matters like debt equity ratio, the propor-tion of promoters' contribution and con-version of loans into equity. These const-raints have slowed down the revival and improvement of the economy. A libera-lisation of the policies and procedures would greatly help.

In this connection, I would like to refer very briefly to the sharp increase in the rate of interest. The bank rate has been raised to nine per cent, and interest on bank credit to 18 per cent. In an inflationary situation, the high cost of credit is perhaps justified; but today the high interest rates act as a drag on production and as a disin-centive to investment. I hope the Reserve Bank of India will review the situation fa-vourably by the end of the current busy season.

balance of trade

Internal development is also a prere-quisite for external viability. Our balance of trade position improved from a deficit of Rs 922 crores in 1966-67 to a surplus of Rs 104 crores in 1972-73. For the first time, the country achieved a break-through in the balance of trade position; this is a tribute to the pragmatic policy of the government, and to the competitive salesmanship of the exporters. This silver lining was not without its dark cloud, how-ever. The situation was seriously upset by the hike in prices of oil, fertilisers, and food. This has given a setback to our balance of payments position, but I have no doubt that there is immense scope for improvement in exports. Special mention may be made of the sugar and the engineering industries. We also welcome and appreciate the efforts of our govern-ment for the establishment of the Associa-tion of Iron Ore Exporting Countries.

The reopening of the Suez Canal will bring the European markets closer to us. The advantage of the Generalised Scheme of Preference (GSP) can be enlarged if the European countries could be persuaded to accept a five-year arrangement. We must export more—even at the cost of domestic consumption. At the same time, it hardly needs to be reiterated that there is no substitute for business efficiency — we must have the strictest quality control, timely deliveries, attractive packing, etc. We have also to explore another impor-tant avenue for achieving a favour-able balance of trade position: I refer to import substitution. Import substitution demands greater attention and needs to be treated on a par with export promotion. That apart, larger foreign loans and re-scheduling of debt repayments have to be sought. And we have to learn to adapt ourselves better to the changing interna-tional currency situation.

I may mention that the Federation has been keeping close contacts with other countries with a view to promoting good-will and establishing with them cordial business relationships. During the year, we held our annual India-Japan Business Cooperation Committee meeting at Jaipur, have had the privilege of receiving industrial delegations from Australia, Austria, Iran, Italy, the Republic of Korea, Sri Lanka, Sweden and the USA. I had the opportunity of leading an industrial dele-

gation to the west Asian countries in January last and it is my impression that the scope for export of Indian goods, technology and skills is tremendous not only in these countries but all over the world. But these markets are by no means easy pastures. We have to face stiff competition from countries which, apart from being more advanced, are already in the field. I suggest that our government should gently persuade the Gulf countries, which no longer belong to the traditional third world, to extend preferential treatment to goods and technology originating from developing countries like India.

1975 is a crucial year, Madam prime minister. With the end of this year the third quarter of this century comes to a close and the last quarter commences. Very soon we would be looking forward to the 21st century. This inevitably evokes a number of thoughts about the variety, size and range of problems that have to be faced in the context of our fundamental goal of improving the standard of living of the common man in whom the strength of the nation abides. To achieve this goal, the economy has to generate enough income, savings, investment and production. Through proper planning and coordinated effort of business and government, the task can be made very much easier.

production of foodgrains

It may be worthwhile to fathom the dimensions of the problems and assess the tasks that lie ahead. The demand for essential commodities is influenced by the growth of population and income. Family planning programmes notwithstanding, our population may well exceed 900 million by the end of the century. It is also difficult to make any precise forecast about the growth of per capita income. We can, for practical purposes, take it at three per cent per annum. On these premises the production of foodgrains will have to be around 238 million tonnes in the year 2001 AD, of sugarcane (in terms of gur) 36 million tonnes, oilseeds 22 million tonnes and cotton textiles 21 billion metres. That is to say, in the next 25 years foodgrains production will have to rise by 129 per cent, sugarcane by 157 per cent, oilseeds by 153 per cent and cotton textiles by 163 per cent. Even for a modest improvement in the standard of living the targets of overall production to be achieved are colossal. It is better that we know what is expected of us and plan accordingly than step into the future with no blueprint in our hands.

National development is both a challenge and an opportunity. It is a challenge to the vision of the policy-makers, to the inventiveness of entrepreneurs, and to the innovative capability of managers at all levels. Let me remind you, friends, if it needs reminding, that business thrives only when it serves. It is acceptable only when it identifies itself with the national ethos. Every enterprise has multi-dimensional obligations — to its customers, workers, shareholders, the government, and above all to the community. All of us have to be constantly vigilant to ensure that these obligations are fulfilled in the highest measure.

While businessmen in general are perhaps conscious of their responsibilities to the consumers, it is agonising to see a few of them indulging in anti-social acts such as manufacture and sale of spurious goods including food and medicines. What greater crime can there be against society? Those who play with human lives for their own selfish gains deserve condemnation and the severest punishment. They are not entitled to be called businessmen. At the same time, I would like to say that on [cut off] technical offences, unless they are [cut off] grave nature, businessmen, particu[cut off] traders, should not be harassed.

It is important that businessmen sh[cut off] regard themselves as true partners [cut off] other sections of society in the buildin[cut off] of the country and towards that end d[cut off] cate themselves to the cause of natio[cut off] reconstruction. They should derive sa[cut off] faction in the thought that providence [cut off] given them an opportunity of serving [cut off] people and so they should make the [cut off] use of their resources for the larger so[cut off] good. There is no greater virtue than th[cut off] Even truth, the greatest virtue, has b[cut off] defined as looking after the welfare [cut off] others.

येन भूतहितमत्यन्तम्
तत् सत्यं इति धारणा ।

FICCI on the state of the economy

[FI]VE resolutions passed by the Fede[ration] of Indian Chambers of Commerce [and I]ndustry (FICCI) at its 48th annual [sessio]n held in the capital between April [... an]d 27, 1975 the business community [recom]mended a number of measures [which], in its view, would accelerate the [pace] of economic development in the [count]ry.

[Th]e first resolution passed by the FICCI [relate]d to the distribution system, it sug[geste]d that the system of distribution of [essen]tial commodities to the vulnerable [sectio]ns of society should be strengthened [and f]or this purpose the services of private [trade] should also be utilised. The reso[lutio]n stated that there should be free [intra] and interstate movement of food[grain]s to eliminate price differentials bet[ween] one area and another.

[Th]e second resolution emphasised the [impo]rtance of agriculture in this country's [econ]omy. It suggested that concentrated [inve]stment in agriculture needed to be [und]ertaken, particularly in minor irriga[tion], fertilisers, high-yielding varieties [of s]eeds, model farms and dry farming.

[T]he third resolution urged that bank [cred]it should be liberalised to meet the [leg]itimate production and distribution [nee]ds. For this purpose it suggested that [gre]ater refinance facilities should be made [ava]ilable to the commercial banks by the Reserve Bank of India. Because of the unprecedented increase in interest rates, the whole structure of credit costs and the flow of finance had got disturbed. It was recommended that the bank rate and interest on credit should be brought down.

The fourth resolution stressed the importance of self-reliance in external resources. It was recommended that more efficient allocation and utilisation of the available foreign exchange resources than hitherto should be made. The resolution suggested that the release of foreign exchange should be based on a policy of "return on investment" reckoned in terms of foreign exchange saved or earned against the unit value of foreign exchange release. It was also recommended that a high priority should be given to import substitution industries, and a "national import substitution board" should be set up.

The fifth resolution concerned the energy crisis. Among the suggestions made by the FICCI for tackling this acute problem were: (i) new power projects under construction should be given the highest priority, (ii) the management of state electricity boards should be toned up; (iii) captive power plants should be freely allowed to be set up by the private sector.

The resolutions passed by the FICCI are given below.

Distribution system

[SH]ORTAGES of commodities, whether indi[gen]ous or imported, place a heavy respon[sib]ility on industry, trade and government [to] ensure that the goods are made avail[abl]e to the consumers at a fair and rea[son]able price. Inasmuch as the problem [of] distribution arises primarily because [of] the supply position, the objective must [be] to ensure that availabilities are in[cre]ased in as short a time as possible. [M]eanwhile, the existing distribution sys[te]m should be geared up to meet the [ch]allenges. What is called for is a coope[ra]tive endeavour rather than displacement [of] normal trade channels and imposition [of] rigid controls.

It is, however, a matter of regret that in [s]o sensitive an item as foodgrains, which [h]as to reach millions of households, the [a]uthorities at the centre and in the states [h]ave been frequently experimenting with [p]olicies. During the past three years, this [wa]s specially marked in the case of pro[c]urement, movement and distribution of wheat. In respect of other foodgrains also, there have been policy changes. All in all, while private trade channels have unjustifiably suffered in reputation, as well as in ekeing out a livelihood, the consumers are subject to the vagaries of unstable policies.

The present system of allocation of scarce raw materials that are imported is not calculated to help the production schedule of the industries. The required raw materials are not made available at the appropriate time. Sometimes they are not of the desired specifications. Besides, the prices charged by the canalising agencies are often arbitrary. In some cases prices are kept high on the ground of 'mopping-up' of the profits. Usually, they are maintained far above the current international prices on the plea that those items were acquired earlier at higher costs.

In this context, the distribution system requires to be fortified in the following manner:

Indigenous goods

—The system of distribution of essential commodities to the vulnerable sections of society needs to be strengthened and made subject to strict inspection. The services of private trade should also be appropriately and extensively utilised in this behalf.

—There should be free intra and interstate movement of foodgrains to eliminate price differentials between one area and another, which have led to considerable imbalances and malpractices. The rational policy pursued in the case of coarse grains has proved effective.

—In the event such free movement is curtailed or banned for one reason or another, the services of private trade should be fully utilised both with regard to procurement and distribution by state agencies.

—Everyone should see to it that the food articles conform to the prescribed degree of purity. Wilful adulteration is anti-social and must be penalised. It must be equally appreciated that deviations in quality occur due to natural causes, especially in agricultural products, and as such should be clearly differentiated from adulteration.

—Manufacturers, wholesalers and retailers should refrain from charging exorbitant prices when temporary shortage of any commodity occurs. Voluntary discipline in this respect is of highest importance.

Imported materials

—Representatives of industry and trade should be associated with the Price Review Committee which goes into the polices regarding procurement, pricing and distribution of imported raw materials.

—The rates of commission charged by the governmental agencies call for rationalisation so that they are brought down to a reasonable level.

—Actual users should not be compelled to take the entire supplies at a time; but allotment should be made to them in instalments.

—In case the state trading agencies are

unable to supply the materials within a reasonable time, they should permit the parties themselves to make their own arrangements for getting supplies of those items.

—The procedures followed by the state trading agencies are cumbersome and complicated and under the circumstances call for thorough streamlining.

20 crores for inter-connected co nies should be appreciably ra

- the exemption limit for indu licencing should be suitably ra
- the exemption limit under Ca Issues Control should also be ap priately enhanced.

—To ensure industrial harmony, should be only a single recogn union for each industry which sh be the sole bargaining agent; co tive bargaining should be the ac ted mode of settling disputes; ment of bonus should be made str according to the bonus form and there should be moratorium all strikes and lock-outs in indus for a period of at least five years

—Above all, the environment for a lerating industrial development quires to be improved to transf the character of our economy and create productive job opportuni for the unemployed and und employed.

National economy in the changing world situation

THE NARROWING of political differences amongst the nations of the world has created an environment for more integrated international development. The world economy, however, is currently in a flux. Most of the economies are afflicted by inflation and lately there is also a slowing down of economic activity — a situation which has come to be described as stagflation.

The escalation in oil prices in November 1973 brought about a net transfer of resources amounting to over $ 60 billion within a year from the developed and the developing countries alike to the oil exporting countries. These fundamental changes in international financial matrix have added to the difficulties of arriving at stable international currency arrangements.

In the context of this international economic situation it is obvious that in our own developmental efforts in the fifth Plan and more particularly in the annual Plan for 1975-76, considerable emphasis has to be placed on accelerated production. This is necessary not only for achieving a better equilibrium in the external payments position, but also as a means of stabilising prices, creating additional potential for employment and improving the standard of living of the people. This will also help in ensuring for our country a better position in the international economy.

To achieve these objectives, the economic system and its operation have to be more conducive to greater all-round production, savings and investment. In the opinion of the federation this can be done in the following ways:

—More concentrated investment in agriculture has to be undertaken, particularly in minor irrigation, fertilisers high-yielding varieties of seeds, model farms and dry farming.

—Fuller utilisation of installed industrial capacity must be promoted.

—A restructuring of governmental expenditures by curbing non-productive outlays should make funds available for investments.

—Price controls should be abolished wherever possible and substituted by dual pricing, if necessary.

—Policies should promote productive and viable enterprises of economic size with a view to reducing costs and prices.

—The rate of corporate taxation in our country, which is one of the highest in the world, should be suitably reduced so as to generate larger internal resources for more investment.

—A revision of the financial limits stipulated in different laws should be made in view of the steep rise in prices, particularly with respect to the following:

- under the MRTP Act the limit of Rs

Finance for production & marketing

INDUSTRIAL PRODUCTION and the working of trade have been seriously affected by lack of adequate finance, both short-term and long-term. The credit squeeze imposed by the RBI since November, 1973, particularly, has reduced the availability of vital working funds. While the need to economise inventory holding is appreciated, it is unfortunate that bank credit has been too inadequate to enable trade and industry to carry on even normal operations. The capital market is greatly depressed since July, 1974 and the latest union budget has not improved the situation. There are many limitations on borrowing from term lending institutions, partly on account of official policy and partly due to procedures involved. The tax levels too are such that generation of resources for development within the enterprise has become almost impossible. Enterprises are not in a position even to replace assets at the current high prices. As a result of all these factors, industry and trade are unable to carry out their production and marketing programmes and provide the requisite stimulus to the economy. To promote accelerated industrial development, the Federation recommends a reorientation in policy on the following lines:

—It is most important that bank credit is liberalised to meet the legitimate production and distribution needs. To facilitate this, larger refinance facilities should be made availa to the commercial banks by Reserve Bank of India.

—The unprecedented increase in in rest rates has not only raised co but distorted the whole structure interest rates and thereby disturb the orderly flow of finance. It is i perative that the bank rate and in rest on credit are brought down.

—The restrictive RBI directives issu on December 27, 1974 and the bu get proposal to disallow 15 per ce of interest on company deposits f tax purposes should be reviewed.

—Since industry will be obliged to d pend increasingly on borrowings r ther than on share capital, consideri the vast development programmes the fifth Plan, the conditions for loa finance have to be made more favou able. In particular, it is necessa that;

- The debt equity ratio is raised to 4:
- the option to convert loans into equ ties is exercised by the financial inst tutions with utmost care so as not t upset the capital structure;
- financial institutions should not insi

on promoters' contribution of more than 40 per cent of equity capital.

-The development rebate which has proved to be a dynamic instrument of industrial progress has to be continued.

-The financial institutions have to streamline and simplify their procedures, adopt uniform evaluation criteria, expedite disposal of applications and evolve norms for allocation of assistance in conformity with industrial licensing.

—The quality of service provided by commercial banks should be considerably improved.

Sell-reliance in External resources

E ATTAINMENT of "economic self-iance" is one of the strategic goals that nation has set for itself. This implies, ong other things, the achievement of ilibrium in our external resoures posi-n, based on normal trade and commerce. fortunately, despite the massive na-nal effort over the years, our depen-ice on external assistance has persisted. ore recently, the vastly increased costs the essential imports of food, fertilisers, etc. have aggravated the adverse ba-ce of payments position in spite of the nsiderable gains in exports. Besides, steep rise in international price levels s eroded the purchasing power of our ternal loans. The net availabiilties of ternal finance, after payment of interest d annual instalments, is declining year er year.

The imperatives of rapid economic owth and attainment of self-reliance, in uncertain international political and onomic situation, would require that overnment and business unitedly make newed and vigorous efforts towards utilis-g the available foreign exchange pru-ently for productive purposes which will rengthen import substitution and export romotion industries. For achieving the esired improvement in our external re-ources position, the Federation recom-iends that :

—There should be more efficient allocation and utilisation of the available foreign exchange resources than hitherto. The release of foreign exchange should be based on a policy of "return on investment", reckoned in terms of foreign exchange saved or earned against the unit value of foreign exchange released.

—A high priority should be given to import substitution industries, and a "national import substitution board" should be set up. A well-designed incentive scheme for import substitution programmes should be formulated as is done for export promotion.

—In export-oriented production programmes priority should be given to relatively higher added value items, particularly those which are based on domestic raw materials, e.g. sugar, engineering goods, marine products, processed textiles, aluminium, cement, etc.

—Expansion and modernisation of major national ports should be taken up, on an emergency basis, in view of of the vastly increased tonnages that have to be handled in the years to come. Steps should be initiated to increase the number of secondary ports.

—Steps should be taken for the elimination of delays in the grant of cash assistance, drawback of duties, etc. and in releasing adequate foreign exchange for business tours abroad keeping in view the steep increases in the living costs there.

—Joint ventures should be promoted abroad; and to facilitate the flow of such project-exports, consultancy services, sharing of technical know-how, etc., the procedures should be streamlined.

—India with its rich cultural heritage and unsurpassed natural beauty offers unlimited scope for attracting tourists from abroad. Coordinated action should be taken for the development of tourism, through the creation of more facilities for comfortable travel board and lodging.

Development of energy

IN THE wake of the oil crisis, the potentialities of various sources of energy have been widely discussed the world over. A re-assessment of the energy sources, potential and exploitation has been made in our country also. Our country is endowed with rich resources of coal. The hydro-potential is quite considerable. New oil reserves have also been located. The different sources of energy are, to some extent, complementary and have to be exploited in a form best suited to our needs. In any event, the availability of energy must always be higher than the requirements.

Electric energy

In the past three years an acute power shortage has emerged and affected adversely production both in industry and agriculture. To improve the situation, the Federation suggests that the following steps are immediately taken:

—New power projects under construction should be given the highest priority and provided all facilities for early completion. To achieve this, a central coordinating agency should be set up.

—The management of state electricity boards, both at administrative as well as technical levels, has to be toned up and made more dynamic and responsive. Fixation of responsibility must be clear-cut and there should be proper accountability on the part of the management for performance.

—Captive power plants should be freely allowed to be set up by the private sector and finance for this purpose should be provided by the term-lending institutions.

—Requisite quality of coal should be made available to power plants without any interruption in supplies.

—Transmission losses have to be minimised by use of better equipment.

—A reasonable mix of hydel and thermal power has to be engineered so as to ensure regular supply and particularly for meeting peak demand.

—When power cuts are inevitable, a scheme of priorities should be adopted to ensure that production of goods that are more essential in the context of the present economic situation is not hampered.

Coal

Currently, the production of coal is about 82 million tonnes a year against the fifth Plan target of 135 million tonnes. To achieve this targets massive effort at organisational as well as at the investment levels will have to be made. A well coordinated investment and production plan has to be formulated and implemented with a time schedule. The development of washeries will have to be an essential ingredient of this programme. Since most of the coal deposits are concentrated in the eastern region, pressure on the transport system will undoubtedly increase. Hence, the simultaneous development of the trans-

port system — both rail as well as coastal shipping — becomes important. A fuller coordination between supply and demand can be achieved if coal dumps are set up at vantage points.

Oil

The discoveries of new oil deposits will, for some time to come, at best, substitute our current level of imports. The harnessing of his potential has to be undertaken with utmost speed. Indigenous enterprises should be encouraged to manufacture the requisite equipment for the oil drilling operations, to the maximum possible extent.

Other sources

Even now a part of our power supply is obtained from nuclear plants. The and means of utilising this energy for mercial purposes to supplement the ventional sources of energy shoul explored. Similarly, the possibilitie exploiting natural gas, gobar gas, s geo-thermal and other energy forms sh also be examined and necessary steps t to harness them for commercial poses.

FICCI awards

THE FEDERATION of Indian Chambers of Commerce and Industry (FICCI) has been making awards since 1968 for outstanding contributions in various field of wider social responsibility. The FICCI made the following awards for the year 1974 which were presented on April 25, 1975.

The 1974 cash award was equally shared between Prof. Devendra Lal, Director, Physical Research Laboratory, Ahmedabad and Prof. R.C. Mehrotra, Vice-Chancellor, Delhi University, Delhi.

Prof Devendra Lal's researches in nuclear physics and geochemistry have won for him many distinctions and awards. His work covers an extraordinarily wide range of subjects from the study of cosmic radiation, using nuclear emulsions as detector, to fossil tracks and isotopic records in terrestrial and extra-terrestrial material. His latest work on rock samples from the Moon throws valuable light on its evolutionary history. Prof. Lal's researches are characterised by deep originality and insight combined with a mastery of experimental methods and high organisational skill.

Prof R.C. Mehrotra has made significant contributions in the field of inorganic and organometallic chemistry. His extensive researches include pioneering contributions to the organosillicon compounds and to the new field of indicators with both acidic and basic properties; and his researches have corrected a large number of findings of other international scientists and have been acknowledged in numerous treatises and text books on the topic. Prof Mehrotra is a very gifted teacher. He has established a flourishing school of research at the Rajasthan University, Jaipur. A chemist of international repute, Prof. Mehrotra has been the recipient of many honours including Bhatnagar Award of CSIR.

Agriculture

Syndicate Bank, Manipal: The bank has shown rare insight in promoting agricultural development, with the small farmer as the main focus. Starting in 1968 when it was considered a poverty of banking prudence, the Bank's supervised Agricultural Credit Scheme now covers over 300 villages throughout the country. The bank is employing agricultural graduates known as farm representatives to assist in following up the proper use of credit by the farmers and to popularise the new farm technology. It has set up a farm clinic project; a farmers' organisation called the Syndicate Agriculture Foundation; a soil test laboratory and farm information exchange clubs for the purpose. With a view to assessing production response of inputs, experimental farms were organised for conducting field trials.

Export Promotion

Zenith Steel Pipes Ltd, Bombay: The company has shown a remarkable initiative in the field of export promotion. Over the last ten years, its exports have gone up by more than 200 per cent. Its export as percentage to its total production increased from 27 in 1970-71 to 46 in 1973-74. In one single year, that is, between 1972-73 and 1973-74 the growth accomplished has been of the order of 38.8 per cent. Orders in hand for 1974-75 aggregate Rs 8 crores. What is most impressive is that the company has been able to compete successfully in most sophisticated markets in the face of a stiff competition from Japan, Taiwan, and Russia who supply lower gauge pipes at cheaper rates. It was the first company to export steel pipes from India to Indonesia, New Zealand, Aden, Ceylon, Zambia, Malwai, Somalia aud Canada.

Family Planning

Tata Hydro-Electric Power Supply Co. Ltd; Andhra Valley Power Supply Co. Ltd; Tata Power Company Ltd, Bombay: The company has been very active in the field of family planning. Their programme is widely conceived covering *inter alia* antenatal, post-natal and maternity care. The work of the company, when considered in the background of locational disadvantage in which it was operating, deserves appreciation. The power houses are located in backward areas and family planning work among locally recruited workers and their families is far more challenging and calls for coordination of activities at different locations. The company's family planning programme cover 90 per cent of its 1378 employees, 40 cent of them by terminal methods.

Industrial Relations

(i) **Kanoria Chemicals and Indust Ltd, Renukoot**: The company has a u que record of undisturbed industrial lations since its inception in 1962. D pite operating from a singularly distur area not a single man-day has been lo It has a strong union which has shown markable ability in keeping politics of trade union. The company's record wages and bonus, housing (provided to and other welfare measures has been v good. The response to the power-cu both of the management which desis from lay-offs and the union which to direct initiative in having the cuts restor was dynamic.

(ii) **The Podar Mills Ltd, Bomba** The mills which had a decade of stri free history was also the first to have go over to 7-day-a-week working in Bomb in 1973. It was also unaffected by the 4 day strike of Bombay textile mill worke in December-January 1973-74. In coop ration with the recognised union, t understanding has achieved substantial r tionalisation and modernisation duri pendency of industrywise agreements a worked on all bandh days without loss production. During the last few yea not a single work-stoppage has been the for any workers' grievances so also a labour court cases.

Research in Science and Technology (Institution)

Central Electro-Chemical Research Insti tute, Karaikudi: The institute has de veloped wide ranging processes for in dustrial products such as porous carbo electrode for AD cell, silver oxide-zin accumulator, magnesium-silver and mag nesium-cuprous chloride water activate batteries, titanium substrate insolubl anode, etc. It has also installed a pilo plant each for production of electrolyti magnesium metal; anodic phosphating and continuous etching and forming of alu minium foil. Its activities have resulte in foreign exchange savings and create employment opportunities directly as wel as indirectly.

TRADE WINDS

Conversion of Letters of Intent

THE PROCEDURE regarding the conversion of letters of intent to industrial licences has been further streamlined by the ministry of Industry and Civil Supplies. A continual review of procedure is undertaken by the ministy from time to time. Entrepreneurs seeking conversion should follow the procedure as laid down below: (i) Send letters confirming acceptance of the conditions laid down in the letters of intent without delay to the SIA (L.A. II Section), Udyog Bhavan, New Delhi. In future, such acceptance letters should be forwarded within one month of the receipt of the letters of intent. (ii) Obtain foreign collaboration approval or capital goods clearance as may be required. (iii) In cases involving export obligations, execute on export bond with the CCI & E, New Delhi or other appropriate authority in the manner prescribed and send intimation thereof, enclosing a copy of the CCI & E's final acceptance of the bond to the L.A. II Section (S.I.A.) (iv) In cases involving export obligation and the import of capital goods, send a copy of the written undertaking furnished to the CCI & E and the administrative ministry to the L.A. II Section.

A written undertaking to the effect that an agreement bond as may be prescribed by the CCI & E will be executed at the time of capital goods imports materialising or at any other time when called upon to do so by government, will serve the purpose. (v) In a case of doubt from the MRTP angle in which the letter of intent itself has been issued subject to the party obtaining clearance under the Act, wherever required, a photostat copy of the exemption letter or an order of the central government passed under the MRTP Act, as the case may be, issued by the DCA should be forwarded to the L.A. II Section.

Entrepreneurs have been advised to send the formal letter requesting conversion and enclose the papers required above to the L.A. II Section of the secretariat for industrial approvals in the ministry of Industry and Civil Supplies. However, all necessary formalities should be completed and other conditions fulfilled, as prescribed in the letter of intent, before this letter is sent. Industrial licences will normally be issued within 60 days of receiving the letter of request for conversion with complete details.

Bonus for Wheat

The union government has formulated a scheme for payment of bonus to the state governments on quantities of wheat procured out of the current crop and made over to the central pool. Under this scheme, the first 50 per cent of the procurement target fixed for each state will be eligible for bonus at the rate of Rs 2 per quintal. The next two slabs of 25 per cent each will earn bonus at the rate of Rs 5 and Rs 10 per quintal respectively. Quantity if any, procured in excess of the target fixed and made over to the central pool would get bonus at the rate of Rs 15 per quintal. The average rate of bonus, however, on the targeted quantity would be Rs 4.75 per quintal.

The targets of procurement recommended by the Agricultural Prices Commission have been adopted for the purpose of bonus scheme. The bonus earned under this scheme would be utilised by the state governments on investments in development works primarily for the benefit of farmers. It could also be utilised if considered desirable for making available to the farmers certain inputs at concessional prices. It is, however, not intended to be paid to the farmers in cash. It may be recalled that while announcing the procurement and pricing policy of wheat for the 1975-76 marketing season in Parliament on March 24, 1975, the minister of State for Agriculture and Irrigation had mentioned that keeping in view the basic aim of the policy to maximise procurement for the central pool, a suitable bonus schemes on wheat would be introduced.

Distribution of Petroleum Products

The union government has set up a committee to examine and report on arrangements for the distribution of petroleum products from main installations down to retail outlets to improve distribution of products required for personal consumption, agricultural operations, road transport, and small-scale industries.

The committee would be headed by Mr K. R. Damle formerly chairman of the Union Public Service Commission and would have as its members Mr C.R. Das Gupta, chairman, Indian Oil Corporation, Mr S. Krisnaswami, chairman, Hindustan Petroleum Corporation, Mr Kamaljit Singh, managing director, Associated Cement Companies Limited and Mr A. P. Verma, managing director, Indo-Burma Petroleum. The committee is expected to submit its report to the government by May 15, 1975. Any supplementary report on items not covered in the main report would be submitted to the government before June 30.

The committee would examine the need to expand the retail network so as to reach the products as close to the consumer, particularly in the rural areas, as marketing economics would allow. For this purpose it will also consider strengthening regional storage points. It would also examine whether retail network should be further strengthened by involving genuine consumer cooperatives agro-industries corporations, agro-service centres etc., in the rural and semi-urban areas. The committee is expected to recommend regarding the level of inventory to be maintained at various storage points.

Assistance from West Germany

India and West Germany signed an agreement on April 26, regarding the financial assistance which the Federal Republic of Germany will extend to India for the financial year 1975-76. The agreement provides for assistance worth Rs 123.4 crores (DM 365 million), This is the first time that the Federal Republic of Germany has signed the annual agreement for development assistance prior to the meeting of the Aid India Consortium. The assistance has been provided for the following purposes: 1. Commodity Aid of Rs 20.28 crores (DM 60 million) to be utilised for financing India's current civilian import requirements. 2. Project assistance of Rs 23.66 crores (DM 70 million) for financing the foreign exchange costs of mutually selected projects. 3. Loan of Rs 1.69 crores (DM 5 million) for mutually selected rural development programme. 4. A grant of Rs 1.69 crores (DM 5 million) for a mutually selected rural development programme. 5. Loans to Indian Developments Bank to the extent of Rs 8 45 crores (DM 25 million). These will be extended to the Industrial Credit and Investment Corpo-

ration of India Rs 3.38 crores (DM 10 million) and the Industrial Finance Corporation of India Rs 5.07 crores (DM 15 million) to enable the imports of capital goods for the small and medium enterprises assisted by these financial institutions. 6. Capital goods assistance of Rs 10.14 crores (DM 30 million). 7. Liquidity assistance of Rs 10.14 crores (DM 30 million) towards debt relief. 8. A prolongation loan of Rs 47.32 crores (DM 140 million) towards debt relief.

Excluding the grant at Sr. No 4 above, the assistance at Sr. Nos 1 to 7 will be extended as a soft term credit repayable over a period of 30 years, including a grace period of 10 years and carrying an interest rate of two per cent per annum. The prolongation loan at Sr No 8 has also the same maturity and grace period but carries a rate of interest of 2.5 per cent per annum.

All the loans extended by the Federal Republic of Germany are untied and the loans and grants for rural development programmes can also be used for meeting expenditure incurred in India.

India-Iran Protocol

Iran and India have signed a protocol for an agreement under which production of selected Indian export items to Iran will be financed by Iran. The protocol was signed recently by the Iranian Commerce minister, Mr Freydoun Mahadavi and Mr P.N. Haksar, deputy chairman of the Planning Commission. First item in the list is a 20-year project for India to send Iran 7.5 million tonnes of iron-ore a year, starting in 1979 or 1980. Iran will grant a long-term credit of $ 300 million for exploitation of Indian ore deposits. Iran will also invest in an industrial complex in India for paper, with most of the planned 200,000 tonns yearly output earmarked for Iran. Meanwhile, the Iranian-Indian shipping company has begun its operations. Ships of the company would make voyages between Iran-India and the Far East.

India-EEC Collaboration

The visiting President of the European Economic Community, Mr Francois Xavier Ortoli, recently discussed with the Commerce minister, Prof D. P. Chattopadhyaya, the possibility of setting up industrial venture in third countries. Reference was made to establishing such ventures in the oil-rich West Asia. The EEC President also met the Finance minister, Mr C. Subramanium.

During his talks with Chattopadhyaya, Mr (explained the steps that being taken by the Cor nity to improve comm relations with India other developing coun He observed that cou in Europe were aware the excellence of In

icrafts rather than the isticated goods it pro- d. This called foı closer mercial contacts with ber states of the commu- sales promotion, after- -service and a better hinery to review and boost e between India and the munity.

tish Leyland to be ken-over

The British governments announced that it was ng control of the British land and Motor Corpo- on to save the giant com- y from bankruptcy. Prime ister, Mr Harold Wilson the House of Commons it accepted "as the basis future policy" an official ort that the company would d $2.16 billion in additional nce by September 1978 another $1.2 billion in following four years.

'Britain must remain in the league so far as a British ned automobile industry concerned," Mr Wilson lared. The company is tain's biggest single expor- earning $9,600 mlllion foreign exchange since 68.

dia-South Korea ooperation

India has offered to parti- pate in joint ventures with public of Korea in projects the oil rich gulf countries, associate partner or through b-contracting to Indian ms. This proposal was con- yed recently to Mr Dong Jo m, Foreign minister of uth Korea by Prof. D. P. hattopadhyaya, union Com- erce minister.

Prof. Chattopadhyaya inted out that because of dia's geographical proximity the countries in the middle st and her possession of equate technological skill d know-how for undertak- g major projects, it will be nvenient and worthwhile r the South Korean govern- ent to associate suitable dian firms in their projects these countries. The coun- es had now been included in the wider canvas of foreign trade. The Commerce Minister expressed the hope that the experts of both the countries would explore and identify the areas of cooperation. Welcoming this idea, Mr Kim said that South Korea was involved in a big way in construction projects abroad, and had already taken up contracts worth b500 million in countries such as Malaysia and Indonesia as well as in far off places like Brazil.

Prof. Chattopadhyaya informed the visiting Foreign minister that an exclusive Indian exhibition would begin in Seoul on April 25 next and would continue till May 6. The main purpose of this exhibition would be to promote India's image as a technologically advanced country and to make the South Korean businessmen conscious of the varieties of engineering products and machineries that India could offer. He expressed the hope that the South Koreans would find this exhibition useful. The Commerce minister also urged for more contacts among the businessmen of the two countries to boost mutual trade. Mr Kim welcomed the suggestion and said that a South Korean delegation was likely to visit India in September-October this year for the annual review of mutual trade.

In 1973-74, India's exports to South Korea amounted to Rs 6.03 crores and imports Rs 7.25 crores resulting in a surplus of Rs 5.78 crores. In the first ten months of 1974-75, India exported items worth Rs 84 lakhs and imported goods worth Rs 25 lakhs. The items which India have been regularly exporting to the Republic of Korea include common salt, mica, jute goods and cashew shell oil. However, we have occasionally exported iron ore, pig iron, iron and steel products, human hair, wool, mullberry silk wast end machinery including textile machinery. The steady items of imports from South Korea include natural graphite. However, India also imported fertilisers and organic chemicals from South Korea earlier.

Double Taxation Pact with Yugoslavia

India and Yugoslavia initialled recently the draft convention for a comprehensive agreement for avoidance of double taxation of income. The draft convention will now be submitted to the respective governments for approval. The proposed agreement covers all taxable entities and all types of incomes. The Yugoslav delegation, was led by Mr Bozidar Brajovic, Assistant Federal Secretary for Finance government of the Socialist Federal Republic of Yugoslavia, and the Indian delegation by Mr S.R. Mehta, chairman, Central Board of the Director Taxes, government of India. The discussions, which were conducted in an atmosphere of utmost cordiality, have resulted in complete understanding on the terms of the proposed agreement.

Import of Cashewnut

The Cashew Corporation of India has finalised agreements with Tanzania and Mozambique for purchase of a total quantity of 95,000 metric tonnes of cashewnuts. This information was given in the meeting of the representatives of the cashew growing states held here recently under the chairmanship of Mr Vishwanath Pratap Singh, union deputy minister of Commerce. Representatives from Orissa, Karnataka, Tamil Nadu Kerala and Andhra Pradesh participated in the meeting and considered ways and means to increase the production of cashew in the country. The deputy Commerce minister advised that the states, who had not set up their Cashew Development Corporations so far should do so for the development of the industry in their states. some states have already set up such corporations.

It was suggested in the meeting that acreage for the production of cashew should be increased and irrigational and other agricultural facilities should be extended to avoid much dependence on the import of raw cashew nuts. It was also suggested that efforts should be made to get liberalisation in the terms of loans taken by the growers and small factories.

The domestic requirement of the raw cashew per annum works to about 250,000 tonnes out of which on an average 60,000 tonnes are available from indigenous production and the balance of 190,000 tonnes are imported. The main suppliers of raw nuts to India are Tanzania, Mozambique and Keneya. During first ten months of 1974-75, export of cashew kernels was worth Rs 104-84 crores as against Rs 69.53 crores in the corresponding period in 1973-74. During the full year of 1973-74, exports of cashew kernels and shell liquid was worth Rs 75.14 crores and after excluding the amount spent on imports of raw nuts, the net foreign exchange earning during that period was Rs 44.63 crores.

Export of Transistors

The exports of Indian transister radios have gone up to Rs 2.10 crores (Estimated) in 1974-75 as against Rs 1.65 crores in 1973-74. This information was given by the deputy minister of Commerce, Mr Vishwanath Pratap Singh who further informed that the exports of transistors were mainly to the UK, Holland, ARE, Nigeria, Dahomey, Ethiopia, Czechoslovakia, Bangladesh, Singapore, Malaysia, United Arab Emirates, Zambia, Sri Lanka and Switzerland.

Indo-Pak Trade Talks

Talks between the Pakistan trade delegation, led by Mr Izharul Haque, chairman. Trading Corporation of Pakistan and Indian trade delegatian, led by Mr Vinod Parekh, chairman, State Trading Coporation were held in New Delhi recently. The trade delegation included senior representatives of Pakistan Tractor Corporation, Pakistan Automobile Corporation, Water and Power

Development Authority and officials of ministry of Commerce and Railways. The meeting between the two trade delegations was a follow-up of the Indo-Pak Trade agreement signed in Islamabad in January this year. The Agreement identified several commodities of import interest to Pakistan. These included items such as iron and steel products, engineering goods, jute manufactures, tea, coal, bidi leaves and railway track material. The Pakistan delegation, after an initial stay of two days in Delhi for discussions went to see the air-conditioning plants and tractor manufacturing units, and to other important industrial and commercial centres in the country.

Essential Goods to Nepal

India and Nepal have agreed upon the ceilings for export of essential items to Nepal during 1975-76. These are: 20,600 M/T for iron and steel products, 30,000 M/T for cement, 200,000 Metres for galvanised iron pipes and 75 M/T for aluminium ingots. So far coal is concerned, it has been agreed that this will be exported to Nepal as and when demands are received from Nepalese Consulate General, Calcutta, from time to time.

This information was given by Mr Vishwanath Pratap Singh, deputy minister of Commerce, when he stated that it had been decided separately that the prices of essential goods exported to Nepal were to be settled by the contracting parties as per current prices for current exports of similar articles to friendly neighbouring countries. Uptil now, India had been charging domestic prices from Nepal, he added.

Quality Control on Controlled Cloth

The government has taken steps to ensure that 80 crores metres of controlled cloth was prepared per year by the mill sector. It was founded out by the union deputy minister for Commerce that the production of controlled cloth during April-December, 1974 had been 612 million Sq. metres. According to provisional figures, production during January and February, 1975 was reported at 147 million Sq. metres. It was, therefore, expected that the target of 800 million Sq. metres should have reached by the end of March 1975. The deputy minister further informed that the mills were required to furnish to the Textile Commissioner details relating to particulars of manufacture of each controlled cloth variety. Inspection staff attached to the regional offices of the Textile Commissioner carry out periodical inspections of the mills to varify the particulars furnished by them.

Export Oriented Units

The centre might allow foreign majority participation in units outside the Santa Cruz Export Processing Zone also in selective cases of export-oriented industries. This was stated by the union minister of Commerce, Mr D. P. Chattopadhyaya while addressing the annual general meeting of the Northern Region Association of the Indian Engineering Industry recently. Explaining the policy on foreign collaborations, Mr Chattopadhyaya said that though the policy was to avoid indiscriminate imports of technology of foreign capital, export-oriented industries would be treated on a different basis. Citing the example where the government had recently permitted foreign collaboration for luxury yachts on a 100 per cent export basis, he said that relaxation to the general policy could be made even in the cases where an applicant was prepared to guarantee the export of a majority portion of the production. Regarding the export obligation, he further explained that the condition was imposed only in respect of products which could be marketed abroad. He revealed that the entire issue of export obligation was being examined afresh in the light of Sondhi Committee report on engineering exports.

Television Centre for Jullundur

A major step in the expansion of television facilities in Punjab was taken recently when Mr Swaran Singh, the Defence minister, and Giani Zail Singh, the state's chief minister, laid the foundation stones of the television tower and the studio complex respectively at Jullundur. Mr I. K. Gujral, union minister for Information and Broadcasting,' presided over the function. When commissioned over half the state's population will be brought under the television range. The Amritsar television centre which has been functioning since September 1973 will form a part of the television network in Punjab and will relay programmes of the mother station at Jullundur. When the station at Jullundur is commissioned, it along with the Amritsar centre will be covering over 24,000 sq. KMs and benefiting about 75 lakh people.

Distribution of Aluminium

Consequent on the recent appointment of a Controller of Aluminium under the Aluminium (Control) Order 1970, to look after the distrition of aluminium metal both electrical, conductor and commercial grades, and to ensure that the producers supply the metal to the allotees in accordance with the priorities laid down by the government.

It has been notified by the ministry of Steel & Mines that there has been no change in the procedure for allocation of aluminium metal to the various consuming units. As heretofore, the Department of Mines, in consultation with the various consuming sectors will continue to make bulk allocations of EC/CG metal to the sponsoring autho who look after the supp metal to the various registered/sponsored by

The following proc has been laid down fo supply of EC Comm Grade metal by the prod during 1975-76: (i) The ducers will offer EC/Con cial Grade metal to the allo on quarterly basis and quantities to be supplied month would be e phased over the three mo constituting the quarter. supplies will be arranged the basis of anticipated duction of EC/Comme grade metal during quarters. (ii) Supply EC Grade metal against 197 allocations:— (a) Sup against allocations have limited to actual metal duced in 1974-75, i.e. 75 cent of the total allocati (b) Wherever supplies aga 1974-75 allocation upto A 1975 have been short of per cent, the balance wo be carried forward to 197 and the same would be s plied by the producers du April-June, 1975. (c) Wh supplies already made exc 75 per cent, necessary ad ments will be made agai 1975-76 allocations. (Supply of Commercial Gra metal against 1974-75 allo tions. Supply to the ext possible against the back- of 1974-75 allocations will made in April, but there w be no carry forward beyo April, 1975. (iv) Payme procedure: On receipt offers of supply from t producers, the allottees sh make necessary financ arrangements before the 10 of the month to which t offers relate. If the allotte fail to make the financi arrangements due to certa genuine difficulties, they wou be permitted to do so befo the first of the followi month, failing which t monthly allotment will laps (v) Where the total alloc tion of EC/CG metal is le than 20 tonnes, the supp may be arranged by the pr ducers on the basis of mutually agreed delive schedule.

COMPANY AFFAIRS

tant Mood

s WERE subdued in the during the first half of week. Selling pressure k of support at lower epressed share values. r there was a revival of activity following re- at the Finance minister nounce some reliefs and ations in the budget ls when he introduces ance Bill in Parliament l 30. The possibility of ndment to the dividend aided the market senti- It will however be too to expect that the re- of dividend curbs will ignificant impact on the for equities. If the have gone out of it is mainly due to the e equities offer a very eturn in the context of ng high interest rates e handsome yields from s with reputed compa- As there is a remote of interest rates being l, there is little prospect major recovery in the narket.

mandel Fertilisers

omandel Fertilisers has ed excellent working during 1974, with profits and margins ing spectacular increases 953. Equity dividend has stepped up from eight nt to 12 per cent. Sales the year jumped to 99 crores from Rs. 24.79 while gross profit leap- Rs 13.67 crores from l crores in the proced- ear. Saleable production mplex fertilizers and uring the year at 1.82 onnes was almost main- at the previous year's f 1.83 lakh tonnes. Pro- n in fact would have higher but for the plant own for implementing the expansion and for extensive repairs. Power and water supply was, however, virtually uninterrupted. Complex and urea sales totalled 1.86 lakh tonne, recording a handsome rise of about 6,000 tonnes over the figure of 1973. The expansion programme undertaken in late 1973 continued during the year. According to present indications the project is expected to be completed by about the third quarter of 1975. The project cost is expected to remain unchanged at the original estimate of Rs 6.6 crores. Till the end of 1974, about Rs 3.9 crores have been spent.

South India Viscose

South India Viscose Ltd has reported extremely gratifying working resulting during the year ended December 31, 1974. Its profit before depreciation has more than doubled to Rs 743.05 lakhs from Rs 371.47 lakhs in 1973. The directors have recommended a dividend of 12 per cent for 1974 as against 25 per cent paid in the previous year. The directors have also decided to capitalise reserves and issue bonus shares in the ratio of one share for every two equity shares held. This, however, subject to the consent of the Controller of Capital Issues. For this purpose the authorised capital is being raised to Rs 20 crores,

The industrial licences for increasing the capacity of pulp plant to 42,000 tonnes from the present 21,600 tonnes per annum has been received. Arrangements have been made with Italian collaborators for the supply of plant and machinery and technical assistance. During the year the output of the rayon yarn was almost maintained at 2378 tonnes as against 2388 tonnes in 1973 while the production of staple fibre was significantly higher at 7879 tonnes as compared to 2438 tonnes in the earlier year. The output of rayon grade pulp was marginally lower 23,815 tonnes as compared to 24,124 tonnes in 1973. Production of rayon yarn and staple fibre was very much affected due to the severe power cut during the year. The new staple fibre unit has to be shut down for nearly 100 days during the year and the rayon plant had to work with reduced capacity.

Out of the gross profit, the directors have set apart a sum of Rs 216.52 lakhs to depreciation reserve as against Rs 203.74 lakhs for 1973 while the transfer to development rebate reserve was reduced by Rs 35 lakhs to Rs 40 lakhs. A sum of Rs 310 lakhs was earmarked for taxation as against no provision in 1973. The balance of Rs 176.53 lakhs has been transferred to the general reserve.

Macneill & Magor

Two oldest companies—Macneill & Barry Ltd and Williamson Magor & Co Ltd—are merging under the name Macneill & Magor Ltd with immediate effect. The amalgamation has been approved by the government. The amalagamated company would have a share capital of Rs 4 crores—Rs 2.75 crores in eqity and Rs 1.25 crores in preference. The non-resident holding has been reduced to such an extend that it would no longer be a foreign controlled company according to the Foreign Exchange Regulation Act. However, the Inchcape group of U.K. will continue to be a single biggest equity holder in the new company. The amalgamated company would have substantial interest in the tea industry. It would also be the leading producer and exporter of quality teas. In addition it would have a sizeable stake in the light engineering industry. The scheme of amalgamation provides for allotment of one equity share of Rs 100 each of M & M to the holders of four equity shares of Rs 10 each in Williamsons. The holders of 9.3 per cent cumulative preference and 9.5 per cent RC preference shares of Rs. 100 each in Williamsons will be given preference shares of M & M of the same class and value carrying the same rate of dividend.

Antifrication Bearings

Antifriction Bearings Corporation has reported encouraging working results for the second successive year. Its turnover during the year increased by 43.7 per cent to Rs 4.01 crores from Rs 2.79 crores, in 1973 while gross profit went up by 23.2 per cent to Rs 89.87 lakhs from Rs 72.91 lakhs in the previous year. The directors have proposed a higher equity dividend of 12 per cent on expectations that the Dividend Act will be amended before the company's annual general meeting. If the dividend legislation is not relaxed till than the dividend for 1974 will be 10 per cent, the maximum payable in terms of the present dividend curbs. The company declared a dividend of 10 per cent for 1973 but the actual payment was reduced to 7.1 per cent following the imposition of dividend restrictions in July 1974.

The company's profitability has suffered a setback during the year as reflected by the decline in the ratio of gross profit to sales to 22.4 per cent from 26.2 per cent in 1973. This set back in profitability is attributed to higher prices of raw maertials stores and fuel which could not be adequately neutralised

by raising selling prices. The turnover during the first quarter of the current year has been slightly lower than in the corresponding period of last year.

Out of the gross profit the directors have provided Rs 46.90 lakhs to depreciation reserve as against Rs 38.48 lakhs in the preceding year while a sum of Rs 20.25 lakhs was earmarked for development rebate reserve as against Rs 34.25 lakhs in the preceding year. The balance of Rs 22.74 lakhs has transferred to general reserve from which the proposed dividend will be paid.

Special Steels

Special Steels is embarking on an ambitious programme of expansion aimed at raising the capacity from 50,000 tonnes to 75,000 tonnes a year at an estimated cost of Rs 6.36 crores. Nearly half of the additional capacity will be set up at the existing plant in Boriveli, Bombay, and the balance will be achieved by setting up a new unit at Tarapur. To raise part of the resources required for the implementation of the expansion scheme, the company proposes to issue convertible debentures of Rs one crore to be subscribed by the LIC and ICICI besides making a rights issue of 60,000 equity shares of Rs 100 each at par on a one for-four basis. Besides there will be a public issue of 40,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. The balance amount of Rs 4.36 crores will be met from borrowings and internal resourcess. Convertible bonds holder will have an option to convert up to 20 per cent of the face value of the debentures into equity capital. The company has secured a term loan of Rs 55 lakhs from SICOM. It has received a foreign exchange loan from the ICICI to meet the cost of imported machinery.

Thirumalai Chemicals

The project cost of Thirumalai Chemicals have gone up owing to escalation in

of indigenous equip-
he decline in the value
ee in relation to DM
e consequent large out-
espect of licence fees,
engineering fees and
s duty on imported
nent the directors are
ering proposals to
e the overrun in cost.
mpany has made satis-
y progress in the imple-
tion of the project and
rectors expect the plant
commissioned by the
this year.

e Industrial Development
of India (IDBI) proposes
ue fourth series of bonds
e aggregate value of Rs
ores, bearing interest at
r cent per annum and
mable at par after 10
that is, in April 1985.
bonds will be issued in
ominations of Rs 1,000,
000, Rs 10,000. Rs 25,000
Rs 1,00,000 or in multi-
of Rs 1,000. Subscriptions
be received from April
30, but the subscription
may be closed earlier if
ssue is fully subscribed.
IDBI reserves the right
etain subscriptions up
0 per cent in excess of
notified amount.

nterest on the bonds will
payable half-yearly on
ober 28 and April 28. The
ral government has ag-
l to guarantee the bonds
o repayment of principal
payment of interest. With
h a guarantee, the bonds
be 'trustee securities'
ler the Indian Trusts Act,
2 and 'approved securities'
the purpose of Insurance
, 1938 and the Banking
gulation Act, 1949. The
BI, it will be recalled,
ued the first series of bonds
Rs 11.50 crores on March
1972, the second series for
15.00 crores on August 29,
72 and the third series for
15.00 crores on June 17,
74. The issue of the fourth
ies of bonds is proposed to
gment the resources of
DBI so as to enable it to
eet the increasing require-
ents of assistance by industry.

Since it started functioning in July 1964 and up to the end of December 1974, the IDBI sanctioned assistance amounting to Rs 1,127,75 crores (excluding guarantees). The actual utilisation of sanctions by assited concerns/financial institutions amounted to Rs 827.15 crores.

News and Notes

The Reserve Bank of India has clarified that under Section 19 (5) of the Foreign Exchange Regulation Act, 1973, transfers of shares of Indian companies by persons resident outside India (including corporate bodies situated abroad), or by foreign nationals, to other persons, whether resident in India or outside India are not valid without the approval of the Reserve Bank of India. Applications for obtaining necessary approval should be made by the transferor or the transferee in prescribed forms which may be had from any office of the Reserve Bank or a bank authorised to deal in foreign exchange in India.

Persons resident outside India, foreign citizens resident in India, companies incorporated abroad and companies in which the non-resident interest is more than 40 per cent, as well as branches of such companies, may allow the use of their trade marks by any person or company for direct or indirect consideration, in cases where the trade marks are used in respect of goods which are intended to be wholly exported to countries other than Nepal and Bhutan.

General permission to this effect has been given by the Reserve Bank.

At the ninth annual general meeting of the **Compound Livestock Feeds Manufacturers' Association of India** held recently in Delhi Mr A.B Godrej, Director of Godrej Soaps Pvt Ltd, has been elected Chairman for the year 1975-76.

New Issues

International Conveyers will be entering the capital market shortly with a public issue of Rs 21 lakhs, all in equity shares of Rs 10 each at par. The company will be setting up a plant for the manufacture of industrial v-belts and 350,000 running feet of conveyor beltings. The plant will be set up at Aurangabad in the state of Maharashtra. Trial production is expected to commence by March 1976. The capital outlay on the project is estimated at Rs 1.11 crores. It will financed by the equity capital of Rs 35 lakhs, loans of Rs 60 lakhs, unsecurred loans from promoters of Rs 3 lakhs and subsidy under central government schemes of Rs 13 lakhs.

Sica Breweries is setting up a modern and sophisticated brewery with a capacity of 50,000 hectolitres of beer per annum at Pondicherry. The project involving a capital outlay of Rs 1.70 crores will have process know-how from Skoda of Czechoslovakia through Skoda (India) Pvt Ltd. Vulcan-Laval Ltd is erecting the brewery on a turn-key basic with Skoda process know-how. The erection of the plant and machinery is in an advanced stage and brewery would be in operation in the course of this month. To finance the project the company is offering 420,000 equity shares of Rs 10 each at par to the public for subscription. The list is scheduled to open on May 5 and will close on May 17 or earlier but not before May 9.

Kedia & Dalmia, two well-known industrial houses of Bombay, are jointly promoting a new company styled **Godavari Paper Mills Ltd** The new company will be a subsidiary of the Nitin Castings Ltd. The mill will be located in the industrially backward area of Dadra and Nagar Haveli, The production capacity of the mill will be 50 tonnes a day or 15,000 tonnes per annum. In the first stage the total investment will be to the tune of Rs 2.50 crores and the mill will produce 6,000 tonnes of paper. In the second stage the investment will be of the order of Rs 6 crores and production is expected to be 10,000 tonnes. In the third stage the total investment will be Rs 10 crores and the production will be 15,000 tonnes. To finance this project the promoters are investing about Rs 35 lakhs. Loans to the tune of Rs 125 lakhs are being negotiated with financial institutions and Rs 40 lakhs will be offered to the public for subscription. The company is expected to go into production by the middle of 1977. It will start with the production of craft, writing, printing and white paper. It will also go in for conversion and make special types of paper which are not made in the country at present.

Capital and Bonus Issues

Consent has been granted to 13 companies to raise capital of over Rs 15.65 crores. The details are as follows:

The Shaw Wallace & Co Ltd Calcutta, have been granted consent, valid for three months, for issue of bonus shares worth Rs 100 lakhs only (in the ratio of 1:1).

The Tamilnadu Chemical products Ltd, Madras, has been accorded consent, valid for 12 months only, for issue of 11 per cent privately placed convertible debentures of Rs 10 lakhs to the UTI for cash at par.

The Hickson & Dadaji Ltd, Bombay, have been accorded consent, valid for three months, to capitalise Rs 18,03,700 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

The New Commercial Mills Co Ltd, Ahmedabad, have been accorded consent, valid for three months, to capitalise Rs 50,04,100 out of its General Reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Asbestos Packing & Manufacturing Co. Pvt Ltd, Bombay, have been accorded consent, vaild for three months, to capitalise Rs 1,50,000 out of its General Reserve and issue fully paid

equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity shary held.

The India Steamship Co Ltd, Calcutta, have been accorded consent, valid for three months, to capitalise Rs 2,47,50,000 out of its General Reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Arvind Boards & Paper products Ltd, Gujarat. have been accorded consent, valid for three months, to capitalise Rs 10,00,000 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the radio of one bonus share for every one equity share held.

The Alembic Glass Industries Ltd, Baroda, Gujarat, accorded consent, valid for three months, to capitalise Rs 64,19,600 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held,

The Gujarat Alkalies & Chemicals Ltd, Ahmedabad, have been granted consent, valid for a period of 12 months, for issue of securities worth Rs 280 lakhs, comprised in equity shares worth Rs 255 lakhs and privately placed convertible debentures of the face value of Rs 25 lakhs, to be issued to the UTI.

The Amalgamated Electricity Co Ltd, Bombay, have granted consent, valid for a period of 12 months, for issue of 24,150 (93 per cent) unsecured bonds of Rs 100 each at par, to be issued to the existing holders of 24,150 (5½ per cent) (free of income-tax) preference shares of Rs 100 each and another 30,314 (9 per cent) per annum unsecured bonds of Rs 100 each, at par to be issued to the existing holders of 20,314 (5 per cent) (free of income-tax) preference shares of Rs 100 each, on surrender of their relative share certificates in terms of the scheme approved by the High Court of Bombay.

The Vijayanagar Textiles Ltd, Bangalore, has communicated to government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 40,00,000 (inclusive of capital) already raised) in 4,00,000 equitity shares of Rs 10 each, to be issued privately for cash at par.

The Rathi Mini Steel Ltd, New Delhi, has communicated to government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 44 lakhs (inclusi capital already raised 3,30,000 equity shares o 10 each and 11,000 (11 cent) redeemable cumu preference shares of Rs each for cash at par, o which equity of Rs 19,8 and preference of Rs 10,9 will be offered for public scription.

The Tamilnadu Rubber has commuhicated to gov ment its proposal to capital under clause 5 of Capital Issues (Exempt Order, 1969, to the value Rs 250 lakhs (exclusiv capital already raised) 25,00,000 equity shares o 10 each, for cash at par, vately to the company's co-promoters.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Highe Dividend			
Indian Sugar & Refineries	September 30, 1974	10.0	Nil
Same Dividend			
American Universal Electric	September 30, 1974	6.0	6.0
Associated Glass Industries	June 30, 1974	Nil	Nil
Gannon Dunkerley	March 31, 1974	Nil	Nil
Bank of Madurai Ltd	December 31, 1974	10.0	10.0
Reduced Dividend			
Vijayeswari Textiles	December 31, 1974	6.0	12.0
Dhanalakshmi Mills	December 31, 1974	8.0	20.0
Jubilee Mills	June 30, 1974	2.0	10.0
Bojaraj Textile	September 30, 1974	10.0	20.0
Emco Transformers	September 30, 1974	5.0	10.0
Sri Sarvaraya Sugar	September 30, 1974	12.0	15.0
Tubes and Malleables	December 31, 1974	6.5	15.0

Readers' Roundtable

Automobiles in Hungary

Sir, I am writing this in connection with the article "Priv Automobiles in Comecon Countries" by Mr Jossleyn Hennes London, published in your esteemed journal, Vol. 64, No. of April 11, 1975.

I wish to draw your kind attention to the fact that the da concerning motor vehicle prices in Hungary appearing in pa 840 is out-dated*. Given below are the relevant official data

Country	Motor Vehicle Model	Price Forints	Relative Price†
Hungary	Tarabant	46,000	16
	Fiat 127	60—70,000	25
	Shiguli VAZ-2101	80,000	28
	Motor Cycle 250 ccm	13,000	5

†The average monthly wages and salaries is about 28,00 forints and the relative price is reckoned accordingly.

Yours etc

Dy. Trade Commissioner
for the Hungarian People's Republic

Bombay

*The figures given by Mr Hennessy, as was mentioned b him, related to 1973. I thank the Dy. Trade Commissione for the Hungarian People's Republic for giving us the lates data—Ed.

RECORDS AND STATISTICS

blic sector dertakings : 973-74

ORDING TO the annual rt on the Working of the istrial and Commercial ertakings of the central ernment for the year 1973- there were 122 undertakings er construction and in runn- stage, which were diretly er the management of the tral government. In 1972- the total number of enter- ses was 113 and in 1971-72, number was 101.

estment

The total investment (equity l long term loans) in the concerns in 1973-74 amoun- to Rs 6,237 crores as against 5,571 crores in the 113 en- prises in 1972-73 and Rs 52 crores in the 101 enter- ises in 1971-72. These in- stment figures do not in- ude amounts secured by the terprises under cash-credit rangement with the banks d the deferred credits from reign suppliers. The annual te of growth in the latest ear 1973-74 over the preced- g year worked out as 12 per ent as against the annual rates f 10 per cent and eight per ent in 1972-73 and 1971-72.

The names of the enterprises, he administrative ministries esponsible for their manage- nents and the total investments herein are given separately. The ist includes seven enterprises under construction, three in- surance corporations and two companies registered under Section 25 of the Companies Act, i.e. the non-profit making companies. Of the 122 enter- prises, 115 were running enter- prises and of these the per- formance review contained in various paragraphs relates to 114 running concerns (exclud- ing SAIL which is the holding for steel and certain other companies engaged in cognate activities).

Working Results

The 114 operating enter- prises collectively earned a net profit aggregating to Rs 148.68 crores. After payment of income tax by the profit making companies aggregating to Rs 84.26 crores, the net profit after tax amounts to Rs 64.42 crores. This is as against Rs 17.83 crores in 1972-73 and a net loss of Rs 19.02 crores in 1971-72. (Table A)

On a capital employed of Rs 5256 crores in 1973-74, the groass profit after provid- ing for depreciation and de- ferred revenue expenditure amounted to Rs 272 crores. The return on capital employed works out to 5.2 per cent.

If the cost of township and social amenities is excluded, the return on capital employed would be 6.8 per cent.

Net profit after tax as per- centage on equity, however, improved significantly from 0.6 per cent in 1972-73 to 1.9 per cent in 1973-74.

Turnover

The sales turnover of the enterprises during 1973-74 amounted to Rs 6,777 crores as against Rs 5,262 crores in 1972-73 registering a 28 per cent increase. The turnover as a percentage of capital em- ployed improved from 110.6 per cent in 1972-73 to 128.9 per cent in 1973-74.

Inventories

The value of inventories held by running concerns as on March 31, 1974 amounted to Rs 2,518 crores or 4.3 months' cost of production. The previous year it was Rs 1840 crores or 4.4 months' cost of production.

Exports

Foreign exchange earnings through exports of goods and trading amounted to Rs 693 crores as against Rs 503 crores in 1972-73, and Rs 360 crores in 1971-72.

Resource Mobilization

During the fourth Plan period ending 1973-74 the contribution to the public ex- chequer by way of dividends, interest, income-tax, and excise duty amounted to Rs 3,120 crores.

Internal resources generated by the public enterprises dur- ing the fourth Plan amounted to Rs 1,260 crores as against the target of Rs 1,265 crores — 99.6 per cent achievement.

Capacity Utilisation

There has been an improve- ment in the capacity utilisa-

TABLE A

(Rs in crores)

	1973-74	1972-73	1971-72
Net Profits before Tax	148.68	83.05	21.55
Tax	84.26	63.20	40.57
Net Profits/loss after Tax	64.42	17.83	(—)19.02

Five-year Profile of Public Enterprises: Ten Indicators

(Rs crores)

	1969-70	1970-71	1971-72	1972-73	1973-74
1. Investment	4301	4682	5052	5571	6237
2. Turnover	2996	3309	3974	5299	6777
3. Gross Profit (before interest & tax)	139	146	172	245	273
4. Net Profit (before tax)	14	20	22	83	149
5. Net Profit/Loss (after tax)	(—)5	(—)3	(—)19	18	64
6. Internal Resources (generated).	194	204	215	260	387
7. Return on Catal (per cent employed)	4.2	3.9	3.9	5.1	5.2
8. Return on Equity (per cent)	L	L	L	0.6	1.9
9. Employment (No. lakhs)	6.13	6.60	7.01	9.32	13.14
10. **Expenditure on Employees**:					
(a) Salaries & Wages etc.	290	361	415	541	786
(b) Expenditure on Social Benefits & Housing	29	34	34	41	53
	319	395	449	582	839

tion in the manufacturing group of industries. A study of 84 units showed that 45 had recorded capacity utilisation of more than 75 per cent as against 41 in the previous year. Capacity utilisation in 23 units was ranging between 50-75 per cent in 1973-74 as against 16 in the previous year. Only 16 units operated below 50 per cent capacity utilisation during the year as against 25 in the earlier year.

Groupwise analysis shows that the capacity utilisation was the highest in transportation and petroleum group; the position in respect of chemical group as a whole was satisfactory and in respect of other groups the picture was one of mixed pattern. Coming low in the scale is the Heavy Engineering Group where six out of nine operating units were utilising less than 50 per cent of their capacity.

Employment

The total number of employees in the various groups of undertakings was 13.14 lakhs in 1973-74 as against 9.32 lakhs in 1972-73. The total employees in 1971-72 numbered 7.01 lakhs. The increase in employment in 1973-74 and 1972-73 was 41 per cent, and 32.08 per cent respectively. In 1972-73 the total outgo on account of salary and wages and other benefits including bonus was Rs 541.05 crores which rose to Rs 786.40 crores in 1973-74, registering a 45 per cent increase over the previous year.

The average annual emoluments earned by an employee in 1973-74 was Rs 5,983 against Rs 5,804 in 1972-73.

Township

The total gross expenditure amounted to Rs 339.41 crores out of a total gross fixed assets of the public enterprises of Rs 6,375.6 crores. The actual expenditure on township, therefore, constituted 5.3 per cent of the total gross investment in fixed assets.

Considering the critical role of housing in the economy the public enterprises have made a significant contribution by adding more than 2.60 houses to the total numb housing in new areas.

The public enterprises spent a net amount o 23.78 crores on the ma nanace of townships. In tion a sum of Rs 28.73 c has been spent on social heads like provision of e tion and medical care etc.

The total expenditure employees welfare thr provision of houses, ec tion and medical faci amounted to Rs 52.51 cror 1973-74.

Top Ten Enterprises in Terms of Investment During 1973-74

Name of the Enterprises	Amount (Rs crores)	percentage of total
1. Hindustan Steel Ltd	1,009	16.1
2. Bokaro Steel Ltd	905	14.6
3. Fertilizer Corporation of India	437	7.0
4. Heavy Engineering Corporation Ltd	287	4.6
5. Shipping Corporation of India Ltd	281	4.5
6. Bharat Heavy Electricals Ltd	265	4.2
7. National Coal Development Corporation Ltd	246	3.9
8. Food Corporation of India Ltd	240	3.9
9. Oil & Natural Gas Commission	216	3.5
10. Neyveli Lignite Corporation	194	3.1
Total for the ten enterprises	4,080	65.4
Total for all enterprises	6,237	100.0

Top Ten Enterprises in Terms of Turnover During 1973-74

Name of the enterprises	Gross sales turnover (Rs crores)	Percentage of total
1. Food Corporation of India Ltd	1527.90	22.6
2. Indian Oil Corporation	1244.54	18.4
3. Hindustan Steel Ltd	685.28	10.1
4. State Trading Corporation	493.25	7.2
5. Minerals & Metals Trading Corporation Ltd	479.72	7.1
6. Bharat Heavy Electricals Ltd	162.66	2.4
7. Madras Refineries Ltd	141.98	2.0
8. Coal Mines Authority of India Ltd	135.01	2.0
9. Air India	126.14	1.9
10. Shipping Corpn. of India Ltd	123.19	1.8
Total for ten enterprises	5119.67	75.5
Total for all enterprises	6777.00	100.0

Top Ten Enterprises in Terms of their Profit Before Tax During 1973-74

Name of the enterprises	Amo (Rs cror
1. Minerals & Metals Trading Corporation of India Ltd	36.
2. Indian Oil Corporation of India	30.
3. Bharat Heavy Electricals Ltd	27.
4. Oil & Natural Gas Commission	24.
5. Shipping Corporation	14.
6. State Trading Corporation	13.
7. Hindustan Aeronautics Ltd	9.
8. Bharat Electricals Ltd	7.
9. Madras Refineries Ltd	6.
10. Indian Telephone Industrides Ltd	6.

Top Ten Enterprises in Terms of Employment During 1973-

Name of the Enterprises	No Ente pris
1. Coal Mines Authority of India Ltd	3,68,72
2. Hindustan Steel Ltd	1,29,70
3. Bharat Coking Coal Ltd	87,1
4. Food Corporation of India	48,69
5. Bharat Heavy Electricals Ltd	44,80
6. Bokaro Steel	29,01
7. Fertilizer Corporation of India	28,30
8. Oil & Natural Gas Commission	21,84
9. Heavy Engineering Corporation	21,37
10. Hindustan Aeronautics Ltd	20,56

Top Ten Enterprises in Terms of Tax Provided for During 197

Name of the Enterprises	Amou (Rs cro
1. Minerals & Metals Trading Corporation of India Ltd.	24.6
2. Indian Oil Corporation	21.0
3. State Trading Corporation of India	9.6
4. Cotton Corpn of India Ltd.	3.9
5. Bharat Electronics Ltd.	3.6
6. Indian Telephone Industries	3.5
7. Rural Electrification Corpn	2.8
8. Cashew Corphn of India Ltd	2.7
9. Bharat Earth Movers Ltd	2.0
10. International Airport Authority of India Ltd.	1.3

formance Details

(Rs crores)

all Investment and Long Growth Trend

on March 31, 1974, overall investment (equity long term loans) amounted to Rs 6,237 crores. Of this investment, equity capital accounted for Rs 3,439 es and loans Rs 2,798 es. The investments made the central and state governments and other parties is follows:—

Central Government	5,518
State Governments	10
Private Parties (Indian)	320
Private Parties (Foreign)	389
	6,237

The plan-wise and annual growth trend in investment in the central enterprises is presented below:—

nnual Growth Trend in Investment in Central Government Enterprises

riod	No of enterprises	Investment (Rs crores)	Average annual growth rate
			per cent
on 1st April 1951 beginning of 1st 5-year Plan)	5	29	—
on 1st April 1956 (beginning f 2nd 5-year Plan)	21	81	36
1st April 1961 (beginning f 3rd 5-year Plan)	48	953	233
on 31st March 1966 (End f 3rd 5-year Plan)	74	2415	31
on 1st April, 1969	85	3902	21
on 31.3.1970	91	4301	10
on 31.3.1971	97	4682	9
on 31.3.1972	101	5052	8
on 31.3.1973	113	5571	10
on 31-3-1974	122	6237	12

ttern of Investment

The pattern of investment different sectors, inclusive of enterprises under construction, as at the end of 1973-74 is given below.

	At end of 73-74		At end of 72-73	
	Rs crores	per cent	Rs crores	per cent
1	2	3	4	5
nterprises Producing & Selling Goods:				
eel	20,28.97	32.5	18,40.27	33.0
inerals & Metals	8,72.59	14.0	7,20.84	13.0
troleum	3,60.02	5 .8	3,78.35	6.8
hemicals & Pharmaceuticals	8,81.11	13.1	6,90.91	12.4
eavy Engineering	6,74.81	10.8	6,57.38	11.8
ledium & Light Engineering	1,46.29	2.3	1,22.50	2.2
ransportation Equipment	2,27.41	3.7	2,01.20	3.6
onsumer Goods	67.42	1.1	52.54	0.9
gro-based Enterprises	9.23	0.1	7.99	0.1
Service Enterprises				
Trading & Marketing Services	3,09.04	5.0	2,92.58	5.3
Transportation Service	5,28.10	8.5	4,21.96	7.6
Contracts & Construction Services	15.89	0.3	15.77	0.3
Industrial Development & Technical Consultancy Services	4.61	0.1	5.99	0.1
Development of Small Industries	34.12	0.5	29.64	0.5
Tourist Services	17.67	0.3	14.46	0.3
Financial Services	89.09	1.4	58.24	1.0
Rehabilitation of Sick Industries	33.77	0.5	28.58	0.5
Insurance Services	—	—	31.50	0.6
	62,37.15	1,00.00	55,70.70	1,00.00

Investment of Rs 10 crores and above was made by the central government in the following enterprises during 1973-74:—

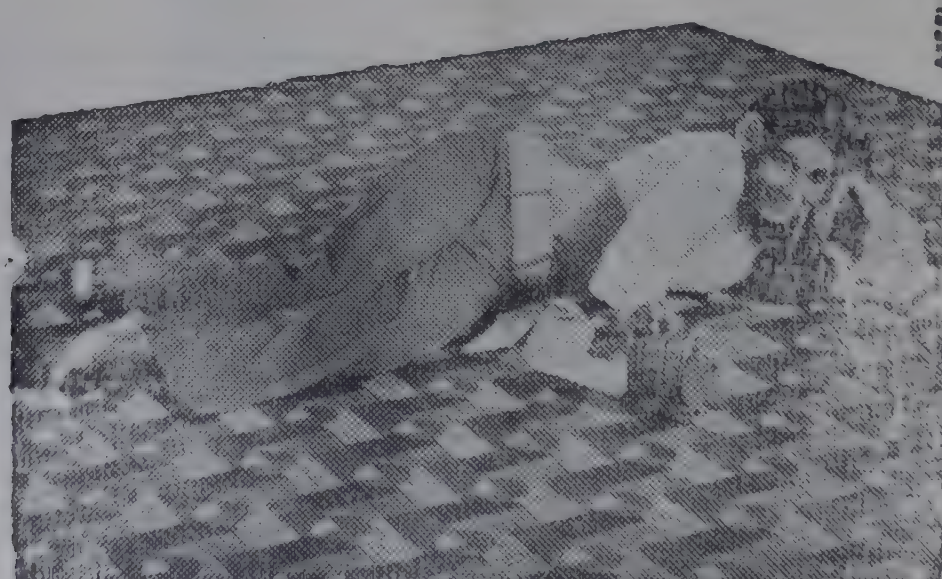
Investment Made by Central Government 1973-74

(Rs crores)

1. Bokaro Steel	110
2. Shipping Corporation of India	95
3. Fertilizer Corpn of India	93
4. Bharat Aluminium Co. Ltd	28
5. Bharat Gold Mines Ltd	24
6. Indian Petrochemicals Corpn	24
7. National Coal Dev Corpn	23
8. Hindustan Copper Ltd	20
9. Project & Equipment Corpn Ltd.	16
10. Mogul Lines Ltd	15
11. Cochin Shipyard	12
12. National Mineral Development Corporation Ltd	11
Total	471

Performance Results

The overall performance for the year 1973-74 registered a significant improvement over that of the earlier year. Collectively, the 114 running enterprises (excluding enterprises under construction, three insurance companies, SAIL and two companies registered under Section 25 of the Companies Act, 1956) earned a net profit (after tax) of Rs 64.42 crores. Seventythree enterprises earned a total profit after tax of Rs 160.75 crores while 41 enterprises showed a loss of Rs 91.62 crores, with the resultant figures for all running concerns being a profit of Rs 64.42



in the year under revie[w] [ag]ainst Rs 17.74 crores in [197]3.

[Sur]plus before interest, de[precia]tion and tax etc. for the year 1973-74 amounted to Rs 569.35 crores.

The table below presents the performance of the running enterprises for the last three years.

Operating Results

(Rs in crores)

	1973-74	1972-73	1971-73
[G]ross surplus	569.35	492.06	392.38
[D]epreciation & Amortisa-[t]ion	258.85	235.46	207.17
[W]rite-off Deferred Revenue [E]xpenditure	38.01	11.61	13.26
[P]rofit before Interest	272.49	244.99	171.95
[I]nterest	123.81	161.94	150.40
[N]et profits before Tax	148.68	83.05	21.55
[T]ax	84.26	63.20	40.57
[N]et Profits/loss after Tax	64.42	17.83	—19.02
[Equi]ty & Capital Employed			
[Equi]ty	3310	2954	2688
[Capi]tal Employed	5256	4756	4393
[Prof]itability Ratio			
[Tur]nover as per cent on Capi[ta]l Employed %	128.9	110.6	90.8
[Gro]ss Profit as per cent on [C]apital Employed %	5.2	5.1	3.9
[Net] profit after tax as per cent [o]n equity %	1.9	0.6	Loss

[T]he extent of net profits [ear]ned net loss suffered by each [con]cern is given in Anne[xur]es II and III. The profits [bef]ore tax position alongside [the] profits after tax position [of] each concern is shown in [An]nexure TV. The figures for [the] last three years 1973-74, [19]72-73 and 1971-72 are given [in] the above mentioned three [an]nexures.

Group-wise Results

For the purpose of performance appraisal, the running enterprises have been classified into cognate groups on a rational basis. The following table presents the comparative picture of the group-wise performance during 1973-74 and 1972-73:

Group of Enterprises

(Rs in crores)

	1973-74		1972-73	
	Net Profit	Net Loss	Net Profit	Net Loss
[I.] Production Enterprises				
[S]teel	4.71 (1)	10.43 (1)	—	30.94 (2)
[M]inerals and Metals	11.10 (5)	49.61 (8)	3.79 (4)	20.67 (6)
[P]etroleum	42.08 (7)	—	32.87 (7)	—
Chemicals & Pharmaceuticals	4.99 (5)	9.93 (6)	6.21 (5)	6.42 (5)
Heavy Engineering	27.50 (5)	12.40 (4)	15.04 (4)	16.78 (3)
Medium & Light Engineering	10.85 (10)	1.66 (6)	8.70 (8)	1.76 (4)
Transport Equipment	14.07 (5)	3.49 (2)	8.41 (5)	2.21 (2)
Consumer Goods	1.60 (3)	5.08 (4)	0.91 (3)	5.19 (3)
Agro-based	1.04 (3)	—	0.03 (2)	—
	118.14 (44)	92.60 (31)	76.96 (48)	83.97 (25)
II. Service Enterprises				
Trading & Marketing	19.76 (10)	0.25 (3)	13.80 (9)	0.46 (5)
Transportation Services	16.62 (4)	1.40 (3)	8.80 (5)	1.41 (2)
Contracts & Conststruction	1.11 (5)	— —	0.82 (4)	0.14 (1)
Industrial Development & Technical Consultancy Services	1.09 (5)	—	0.46 (5)	—
Development of Small Industries	0.10 (1)	0.63 (1)	0.65 (1)	—
Tourist Services	0.57 (1)	0.17 (1)	0.67 (1)	—
Financial Services	3.04 (2)	0.15 (1)	2.04 (3)	—
Rehabilitation of Sick Industries	0.32 (1)	1.13 (1)	0.26 (1)	0.74 (1)
	42.61 (29)	3.73 (10)	27.50 (29)	2.75 (9)
Total all Running Concerns	160.75 (73)	96.33 (41)	104.46 (o7)	86.72 (34)
				+17.74 +2.11*
		+64.42		+19.85

(Figures in brackets indicate the number of enterprises in each group and category).

NOTE—*Price period adjustment.

Enterprises whose Profitability have Shown an Improvement as Compared to the Previous Year

(Rupees in lakhs)

	Profit after tax 1973-74	Profit before tax 1973-74	Profit before tax 1972-73
Steel			
1. Hindustan Steel Ltd	471	471	(—)2780
Minerals & Metals			
2. Hindustan Copper Ltd	438	438	256
3. Hindustan Zinc	450	450	17
4. Indian Rare Earth	55	94	43
5. National Mineral Dev. Corpn.	158	158	(—)112
Petroleum			
6. Madras Refineries	671	671	625
7. Oil & Natural Gas Commission	2448	2448	700
Chemicals &Pharmaceuticals			
8. Madras Fertilizers	308	308	(—)29
9. Fertilizers & Chem. Trav. Ltd	(—)197	(—)197	(—)232
10. Indian Drugs & Pharm. Ltd	(—)182	(—)182	(—)370
Heavy Engineering			
11. Bharat Heavy Electricals Ltd	2700	2700	1471
12. Bharat Heavy Plates & Vessels Ltd	(—)39	(—)39	(—)89
13. Heavy Engineering Corpn.	(—)724	(—)724	(—)1657
14. Jessop & Company	(—)442	(—)442	(—)543
Medium & Light Engineering			
15. Bharat Electronics Ltd	390	755	638
16. Electronic Corpn. of India	95	152	83
17. Hindustan Cables Ltd	86	119	33
18. Hindustan Machine Tools	96	96	25
19. Indian Telephone Industries	319	669	501
20. National Instruments	16	16	(—)42
21. Praga Tools Ltd	(45)	(—)45	(—)108
Transportation Equipment			
22. Hindustan Aeronautics Ltd	929	929	414
Consumer Goods			
23. National Newsprint & Paper Mills	85	85	2
Agro-based Enterprises			
24. State Farms Corpn.	59	59	4
Trading & Marekting Enterprises			
25. Cashew Corporation of India	121	395	341
26. Central Fisheries Corpn	3	3	(—)32
27. Cotton Corpn of India	109	505	32
28. Food Corpn. of India	53	125	71
29. Minerals & Metals Trading Corpn	1147	3616	1507
30. State Trading Corpn Ltd	424	1393	1143
Transportation Services			
31. Air India	30	30	(—)94
32. Mogul Lines Ltd	80	84	17
33. Shipping Corpn. of India	1391	1488	873
Financial Services			
34. Rural Electrification Corporation Ltd.	254	536	3346

Enterprises whose Profitability have Shown a Fall as Com to the Previous Year

(Rs in

	Profit after tax 1973-74	Profit before tax 1973-74	P be t 197
Steel			
1. Bokaro Steel Ltd.	(—)1043	(—)1043	(—
Minerals & Metals			
2. Bharat Coking Coal	(—)1033	(—)1033	(-
3. Bharat Gold Mines	(—)158	(—)158	(-
4. National Coal Dev. Corpn	(—)659	(—)659	(—
5. Neyveli Lignite Corpn	(—)1216	(—)1216	(—
Chemicals & Pharmaceuticals			
6. Fertilizer Corpn of India	(—)134	(—)134	
7. Hindustan Antibiotics	(—)145	(—)145	
Petroleum			
8. Cochin Refineries	2	2	
9. Indian Oil Corporation	981	3081	4
Medium & Light Engineering			
10. Instrumentation Ltd.	(—)10	16	
Transportation Equipment			
11. Central Inland Water Transport Corpn	(—)241	(—)241	
12. Bharat Earth Movers Ltd.	288	488	
Consumer Goods			
13. Hindustan Latex	(—)11	(—)11	
Transportation Services			
14. Indian Airlines Corporation	(—)107	(—)107	
15. International Airport Authority	161	293	
Development of Small Industries			
16. National Small Industries Corporation	(—)63	(—) 63	
17. **Rehabilitation of Sick Industries**	(—)113	(—)113	

on Capital Employed

ugh the total investment
of equity and long term
amounted to Rs 6,237
on March, 31, 1974,
pital employed was Rs
crores. Capital employ-
resented net fixed assets
vorking capital. Conse-
y, the investment on
ts under construction
xpenditure on expansion
schemes are excluded in computing the capital employed. The profit made by the 114 undertakings after providing Rs 259 crores for depreciation and amortisation of development expenditure but before interest and taxes, amounted to Rs 272 crores and gives an overall return of 5.2 per cent on the capital employed. The return on capital employed for each group is set out below:

	Groos profit	Capital employed	Gross profit as per cent of capital employed	
	1973-74	1973-74	1973-74	1972-73
	(Rs in crores) (1)	(2)	(3)	(4)
terprises Producing Goods				
	19.73	1187	1.7	L
erals & Metals	(—)23.07	573	L	L
oleum	69.03	472	14.6	15.0
nicals & Pharaceuticals	7.60	343	2.2	3.8
y Engineering	33.50	619	5.4	4.1
ium & Light gineering	22.12	232	9.5	11.7
sport Equip-ent	19.63	295	6.7	6.1
sumer Goods	(—)1.31	36	L	L
-based Pro-cts	1.90	10	1.9	2.6
	149.13	3767	4.0	3.8
Enterprises Rendering Services				
ding & Market-g.	73.56	689	10.7	10.7
nsportation Ser-ces	35.55	487	7.3	6.1
tracts & Cons-uction	2.29	23	9.9	13.7
ustrial Develop-ent & Techni-al Consul. Ser-ices	1.82	12	15.1	12.9
all Industries De-elopment	0.98	33	2.9	7.2
urist Services	0.69	15	4.6	6.8
ancial Services	7.66	199	3.8	3.3
h. of Sick Indus-ries	0.81	31	2.6	3.1
Total	123.36	1489	8.3	8.3
tal all Running Concerns	272.49	5256	5.2	5.1

Resources Generation during fourth Plan Period

The year under review marks the end of the fourth Plan period. The fourth Plan set a target of Rs 1,265 crores of internal resources which as compared to Rs 287 crores achieved during the third Plan period was a challenging task. The table below yearwise presents a comparative picture:—

Gross Internal Resources

(Rs in crores)

	No of Enterprises	Depreciation	Retained profits	Total
(i) Plan target		896	369	1265
(ii) **Actual Resources Generated**				
Year:				
1969-70	47	146	48	194
1970-71	55	149	55	204
1971-72	68	169	46	215
1972-73	75	193	67	260
1973-74	84	233	154	387
Total		890	370	260
(iii) **Achievement of Plan Target**		99.3%	100.3%	99.6%

(b) Resources generated and Contributed to Central Government Exchequer

The following table gives the amount contributed by the enterprises to the Central Ex chequer during the last five years:

(Rs in crores)

Year	Dividends	Interest on central govt loans	Income tax	Excise duty	Total
1969-70	12	104	19	347	482
1970-71	14	104	23	394	535
1971-72	15	121	41	438	615
1972-73	16	124	63	514	717
1973-74	13	111	84	563	771
	70	564	230	2256	3120

The significant spurt in growth rate of internal resources in the last two years of fourth Plan was mainly due to sustained improvement in the financial performance of public sector enterprises.

(c) Total resources generated and that Contributed to the Central Exchequer

(Rs crores)

	Retained by the enterprises	Contributed to the exchequer	Total
1969-70	194	482	676
1970-71	204	535	739
1971-72	215	615	830
1972-73	260	717	977
1973-74	397	771	1158
Total	1260	3120	4380

Turnover

The year 1973-74 saw a 28 per cent increase in total turnover of the enterprises, which stood at Rs 6,777 crores. The turnover group-wise for the three year period is given below:—

(Rs in crores)

Enterprises providing and selling goods	1973-74	1972-73	1971-72
1. Steel	721.93	605.14	444.92
2. Minerals & Metals	369.58	163.97	92.12
3. Petroleum	1562.81	1201.57	1048.71
4. Chemicals & Pharmaceuticals	249.95	202.50	178.16
5. Heavy Engineering	263.33	217.58	114.27
6. Medium & Light Engineering	200.35	156.09	120.85
7. Transportation Equipment	181.91	171.19	138.49
8. Consumer goods	30.53	22.09	18.47
9. Agro-based Enterprises	10.46	8.77	5.86
Total	3590.85	2748.90	2161.85
Service Enterprises			
10. Trading & Marketing Services	2711.27	2163.48	1529.92
11. Transportation Services	336.32	275.83	216.12
12. Contracts & Construction	67.84	67.61	51.22
13. Industrial Development & Technical Consultancy Services	19.82	6.75	4.52
14. Small Industries	22.04	14.87	12.71
15. Tourist Services	12.09	9.14	6.46
16. Financial Services	9.18	5.82	2.24
17. Rehabilitation of Sick Industries	7.19	6.65	5.11
Total	3185.75	2530.15	1828.30
Grand Total	6776.60	6299.05	3990.15

NOTE: The above statement includes turnover through business income also.

Exports

During the last three years exports have shown a steady annual growth, averaging 38 per cent. During 1973-74, foreign exchange earnings through exports amounted to Rs 693 crores, of which crores were from the facturing group, Rs 179 by service enterprises an balance of Rs 439 crores trading and marketing se

Comparative figures fo last three years are as foll

(Rs in c

	1973-74	1972-73	19
Value of foreign exchange earned by:			
(a) Sale of goods	75	77	
(b) Sale of services	179	125	1
(c) Exports earnings of marketing companies	439	301	1
	693	503	3

Group Details

(Rs in la

	1973-74	1972-73	197
Foreign Exchange Earnings through Exports			
Steel	1879	1772	
Minerals & Metals	3392	3098	
Petroleum	1000	1925	
Chemicals & Pharmaceuticals	81	123	
Heavy Engineering	502	329	
Medium & Light Engg.	470	299	
Transportation Equipment	18	26	
Consumer Goods	43	36	
Agro-based Industry	36	40	
Contracts & Construction	37	29	
Development of Small Industry	19	10	
Rehabilitation of Sick Industry	—	—	
Foreign Exchange Earnings Other than Through Exports			
Minerals & Metals	1	1	
Chemicals & Pharmaceuticals	1	—	
Transport Equipment	330	220	
Transport Services (Air)	10771	8255	4
Transport Services (Sea)	6555	4487	3
Tech. Consultancy Service	27	12	
Tourist Service	228	50	
Exports Earnings of Marketing Companies	43948	29541	19

ake's progress

THE FINANCE minister has shown some flexibility but not enough responsiveness in dealing with pleas or demands for relief he additional taxation measures proposed by him on February 28. It is true that pect of direct taxation not much was expected by way of concessions. In this there has been no disappointment. Neither can there be much positive satisfac- vith the small mercies which Mr Subramaniam has seen fit to bestow. This is lly true of the almost inconsequential amendment to the "Dividend Restraints" as proposed in the Bill introduced on May 5. On second thoughts, however, the ice minister amended the bill, in the course of its passage, to provide for ent to shareholders of interest at 8 per cent on the "deferred" portion of the end declared in excess of the "ceiling" prescribed in the original Act.

In the case of indirect taxation, there was a strong feeling, not confined only ne interests directly affected, that the Finance minister should, in the larger ests of the national economy, review in a radical way the new burdens he sought pose on industry and trade.

Spokesmen of the government, from the prime minister downwards, for reasons of own have been stubbornly refusing to recognize certain realities of the current eco- ic situation such as the disappearance of profit margins in some industries, the serious slump in demand for many consumer goods and a number of materials or s of equipment for which the government's own development or other programmes ide the principal and, in some cases, even the sole market and the boosting of pro- ion costs or the interruptions to the economic utilization of manufacturing capacity ed by such circumstances as credit restrictions and the very unsatisfactory situation ailing with regard to the availability of power. Quite clearly, they are afraid that, ey are candid about these matters, they would be conceding that recession has be- e or will soon become a potent threat to investment, employment and the ade- te functioning of industry.

Since the government seems to have resolved to take up the position that it should id initiating reflationary action as long as possible, it seems to have developed a ted interest in trying to mesmerize itself into the belief that, if only corporate nagements would choose to be a little more efficient or try a little harder, everything uld soon be for the best in what it considers to be the best of all possible worlds. Mr . Pai, for instance, gave a fine exhibition of this attitude when he recently addressed All-India Organization of Employers, although we must regretfully point out that he npletely failed to give a specific reply to the pointed request of the vice-president of All-India Organization of Employers, Mr K.N.Modi, that the government (in this e Mrs Gandhi, Mr C. Subramaniam and Mr Pai himself), instead of merely making a eeping allegation that industries were deliberately cutting down production to an ent not warranted by objective circumstances, should state precisely which industries re failing in their responsibilities in this manner. After all this, it is not surprising at the Finance minister was quite stingy in announcing modifications in his excise tax oposals while introducing the Finance Bill in the Lok Sabha last week.

It is clear that the concessions given by him to the *khandsari* industry owe more to litical pressures than to any other factor. As for the other changes of a relatively ajor nature which relate to synthetic fibres and fabrics, he has clearly done only the inimum necessary to avert the danger of large-scale disruption of production and the nsequential risks of unemployment and distress in this industry, particularly in the ecentralized weaving or knitting sector. The abolition of the duty of 25 per cent on MT, the raw material for polyester yarn, is no doubt a welcome move since the im- osition of this duty for the first time in the supplementary Finance Act of July last year ad rudely violated the economics of a section of the synthetic textile industry which ad already priced itself out of the market. But it is a strange decision, surely, not even o reduce the high rate of duty of 50 per cent on caprolactum, which was also levied for he first time in September last. It was fondly hoped that this duty would at least be rought down to 25 per cent, the rate at which DMT was taxed until the withdrawal of he duty in respect of this commodity which has now been announced. It would certainly e useful if the Finance minister would enlighten us why the two basic raw materials for

eastern ECONOMIST

MAY 9, 1975

man-made synthetics, namely, DMT and caprolactum, are being treated so differently.

Mr Subramaniam, however, has given some relief to man-made synthetic textiles as a whole, including the nylon sector, by wholly exempting all fabrics from excise duty. Here, however, he is merely respecting the logic of his own decision to shift the levy from the fabrics stage to the yarn stage, a decision which he failed to give full effect to when, in his original budget proposals, he had provided for a duty to be levied on fabrics of the value of more than Rs 15 per metre. Some credit is also due to him for meeting in part at least the plea for reconsidering an earlier decision to impose a duty on texturized yarn over and above the duty on the basic yarn. The Finance minister has relented to the extent that texturized yarn will now have to pay a lower duty of Rs 10 per kg instead of Rs 20. This should temper the wind to some of the more vulnerable areas of the weaving or knitting industry much of which lies in the decentralized sector. It would however still be true that even the revised scheme of additional taxation of synthetic textiles in the present budget could very considerably interfere with the current economic viability of all sectors of this industry while prejudicing its sufficient growth in the future ahead.

It will not be unfair to suggest that, while what the Finance minister has positively offered by way of reliefs and concessions may give only extremely meagre satisfaction, what he has omitted to do must give rise to deep concern. It is most regrettable, for instance, that he has seen fit to do nothing at all to relieve the outrageous pressures on industries such as aluminium or automobiles. The objective factors limiting the economic functioning of these industries are too well known to require recapitulation here and it is indeed sad that the central budget should continue to insist on its pound of flesh although the aluminium industry has been bled of its profitability, while the automobile industry has had its financial base savaged relentlessly. It is doubtful that a *laissez-faire* attitude towards the problems of these industries, or others similarly situated, could be indefinitely pursued by framers of taxation policy. There is also the more fundamental issue to be faced whether excise taxation, by and large, has not now reached a point where it threatens the solvency of the manufacturing sector while imposing unacceptable burdens on the public as consumers. Critics of the government's taxation policy have been accustomed to scrutinize the rake's progress of direct taxation in terms of its impact on savings, investment or economic growth. It seems to us t[he] time has now come for the searchl[ight to] be similarly turned on the toll tha[t indi]scriminate intensification and pro[lifera]tion of commodity taxation is [taking] of the resources for the developme[nt of] the economy as well as the scope [that] is being left for rise in consumption [and], therefore, production and investmen[t].

Haksar at large

THE DEPUTY chairman of the Planning Commission, who addressed the Federation of Indian Chambers of Commerce and Industry on the second day of its recent annual session, was highly successful, apparently, in injecting sensationalism into the otherwise staid proceedings of that body. He zestfully utilized the occassion to give a reply to Mr J.R.D. Tata who, in his speech to the annual session of the Associated Chambers of Commerce and Industry held some time ago, had suggested that the government's economic policies, unless they changed course, might make it difficult for the concept of a "mixed economy" to survive and continue in business. Mr Haksar employed his considerable resources of vocabulary and style in an effort to demolish what he thought was Mr Tata's thesis. But, since he did not seem to know exactly what this thesis was, the results of his energetic endeavour were perhaps not altogether worthwhile in terms of any cost-benefit analysis.

Mr Tata surely had not said that the mixed economy was dead in this country. Mr Haksar's references to a "funeral oration". therefore, were not only irrelevant but were suggestive of his failure to study carefully and precisely enough what Mr Tata was trying to get at. *Eastern Economist* had carried the full text of the latter's speech in its issue of April 18. What Mr Tata actually said was that the concept as well as the functioning of the mixed economy was being steadily undermined by certain policies or attitudes of the government which he then provided to discuss in some detail. He argued that. if these policies were to continue unchanged, a time would come when the mixed economy would have ceased to be an effective principle of economic organizatic[on and] development in our country.

Mr Tata, in other words, [was] not digging up a corpse in [order] that he might shed tears ove[r it]. He was addressing himself to [a] much more practical business[,] trying to draw the country's attentic[on to] the grave condition of an ailing pa[tient] before it become too late to save [it]. He argued that, although both [the] government and the business commu[nity] started by desiring or seeking to [deve]lop the concept of a mixed econom[y as] the effective principle of our coun[try's] industrial development, in cours[e of] time the government had come to a[dopt] ideological attitudes or economic pol[icies] which, in a number of ways, had c[ome] in the way of the private sector pla[ying] adequately its proper and necessary [role] as a recognized constituent of the m[ixed] economy.

In Mr Tata's opinion the ev[olu]tion of tax policies, the nation[ali]zation of some industries or areas [of] economic activity, often without [fair] compensation, the numerous cont[rols] and restrictions placed on the day[-to-]day functioning of industries gener[ally] and the special curbs placed on [the] larger business houses in particular [were] leading to a situation where priv[ate] enterprise is being steadily elbowed [out] of the national economy. Mr Hak[sar] evidently thinks that this is not so [and] that Mr Tata is grossly exaggerating. [He] is entitled to his view, but it is sur[ely] not open to him to charge Mr Tata w[ith] having said that the mixed economy [is] dead already. If Mr Tata really belie[ved] that an occasion has actually arisen [for] a funeral oration for the mixed ec[o]nomy, he would no doubt gladly leave [it] to Mr Haksar to do the honours.

The deputy chairman of the Plann[ing]

ission tried to make much of the roposition that, since agriculture nall-scale industry were in private it necessarily meant that the ot of mixed economy was not alive but alive and kicking. pating just this casuistry, Mr even at the outset of his speech, arefully noted that, since there o controversy about the ownership ontrol of certain well recognized of economic activity, such as falling exclusively within the nment sector, for example rail and transport, or 'activities such as ing, small scale and cooperative stries and all self-employing acti-s, he proposed to confine himself at sector of the economy represen- by organised industry, trade and nce, the ownership and control of ch could, in a mixed economy, rest er with government or with private erprises or with both.

It is indeed unfortunate that, even er this clarification given in ad-ce and in abundant caution, Mr ksar chose deliberately to confuse issues. Mr Tata's very specific nplaint was that it was in ganised industry, trade and finance, ere the concept of a mixed economy s relevant, that government policies d been enfeebling or undermining at institution. Mr Haksar has often oclaimed himself to be a lover of pecificity' in discussions and it is erefore surprising that he should have cheerfully wandered away from the sue pointedly in debate.

This is not to say that Mr Haksar ad no valid comments at all to offer. n the contrary, this journal fully endor-es his advice tnat industrialists should volve self-regulating mechanisms by which they should be able to distinguish he white sheep from the black ones in heir midst. Mr Haksar quite rightly emphasized the obvious objections to Mr Tata seeking to put the burden of this task on the government. This is not the first time of course that Mr Tata has expressed himself in favour of the government compiling a white list and a black list of businessmen. He had done so on many previous occasions In its issue of December 15, 1972 *Eastern Economist*, referring to a memo-randum which Mr Tata had submitted to the prime minister and a speech he had made to an international seminar of economic journalists, wrote to the following effect:

"It is worth asking whether Mr Tata has examined the implications of his pres-cription. He seems to advocate the compilation by the government of a list of 'approved' big business houses after the manner of the listing of 'approved' contractors and the black-listing, for purposes of industrial licensing, those big business houses which have not made the 'white' list. It could be gathered from his speech as well as from the memorandum that he would have the government keep out those big business houses, or in-dividuals or firms belonging to them, or connected with them, who or which might have been guilty of such anti-social practices as tax evasion, black marketing, illegal foreign exchange transactions, corruption or, strangely enough, what Mr Tata has chosen to describe as 'political intrigues'. He has not made it sufficiently clear, how-ever, whether 'suspicion' would be an adequate ground for blacklisting or the charge or accusation should have been brought home in a court of law or otherwise. In fact, it is not even clear whether he is thinking only of conduct which is guilty or punishable in law or also of anti-social practices which might be held to be 'anti-social' but are not or have not so far been statutorily declared to be 'economic' or other offences.

"His mention of 'political intrigues' and tax evasion or black marketing in one and the same breath has only clouded the issue further. He is mixing up conduct punishable in law with conduct which he or others may find repugnant to his sense of public morality but which can be judged, if at all, only in highly sub-jective terms. What Mr Tata means by 'political intrigues' is difficult to understand. If he is talking of corrupt practices in elections, there is a law on that which applies not only to busi-nessmen, big or small, but to everybody who takes part in elections; among those stories which deserve to be true, even if they are not, is the one which has it that Nehru, every time he took up a pen to sign a statement of his election expenses, used to feel not altogether easy about it.

"If, again, Mr Tata's reference to politi-cal intrigues contains an allusion to the 'buying up' of politicians by big businessmen, it is strange indeed that he wants ministers or government officials to preside over the process of blacklisting them. Here, perhaps we come to the central weakness of his approach. Does he not realize that his scheme would end up in vesting the politicians in power and the bureau-cracy functioning under them with Star Chamber powers over private citizens simply because they happen to be big businessmen applying for industrial licences? In such circumstances, any-thing is liable to be interpreted or punished as political intriguing if the government of the day finds it to its political advantage to do so. Even financing or otherwise supporting the Swatantra party, for instance, could easily be considered to be an intrigue against the ruling party or its politi-cians in office."

Mr Haksar, it seems to us, was quite justified in telling Mr Tata that his suggestion was impractical and "danger-ous" in its implications.

The deputy chairman of the Planning Commission was also on firm ground when he implied that Mr Tata had per-haps not taken sufficient notice of recent developments in official attitudes and policies which could mean that the government had lately been responding to the realities of the situation in an imaginative manner though this involved political strains. Here indeed is what is perhaps the most interesting and signi-ficant passage in Mr Haksar's speech and this is perhaps also the one place where he has attempted to make some construc-tive response to Mr Tata's protest against government policies which may be steadi-ly undermining the concept or the func-

tioning of a mixed economy. Mr Haksar has conceded that it may be necessary to modify state control intelligently and imaginatively and to this extent he has admitted that the fear entertained in the business community over the future of the mixed economy needs to be dispelled by positive rethinking or reform on the nature and extent of state control.

Indeed, even within the business community, there could well be a feeling that, however sincere or basically sound Mr Tata's indictment of the government's treatment of the private sector within the framework of a mixed economy might be, his strongly worded expression was perhaps ill-timed in the sense that it came at a time when the government was showing signs of revising the more dogmatic of its attitudes and coming to terms with the realities of an economic situation where the growth of investment and production was becoming overwhelmingly important.

It is possible, however, that Mr Tata's assault on certain trends in the government's policy could compel further heart-searching in New Delhi and strengthen the tendencies towards an intelligent and imaginative modification of the nature or extent of state control, which Mr Haksar has spoken of as a recent process. Moreover, even the mistaken impression Mr Haksar seems to entertain that Mr Tata has pronounced the mixed economy to be dead has had the useful result of drawing out the deputy chairman of the Planning Commission and provoking him to proclaim from the housetop that the mixed economy is alive and kicking.

To the extent that this proclamation means that the government does not wish the mixed economy to be dead but is on the contrary willing to keep it alive and kicking, Mr Haksar's words may be accepted as precisely the kind of reassurance which the business community must be glad to receive. As for the intelligent and imaginative modification of government policies, Mr Haksar may perhaps now return to the authentic full text of Mr Tata's speech for a number of helpful suggestions which the government could consider and act upon if only in order to give the lie to the charge that the mixed economy or the private part of it in this country is perha[ps en]joying somewhat less than [perfect] health.

Return on investment

THE THINKING of the business community of this country on the current economic situation was embodied in the resolutions passed at the recent 48th annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI). Despite sharp differences between the government and the businessmen on certain vital problems facing the economy, the participants in the FICCI debates maintained a conciliatory approach though they did not hesitate to put forth their viewpoint firmly. For instance, Mr Arvind N. Kilachand, President, Indian Merchants' Chamber, while moving the resolution on the distribution system, graphically described the woes of the consumers. Said Mr Kilachand: "Long serpentine queues of cardholders waiting endlessly before the ration or fair-prices shops in urban areas like Bombay have become a common spectacle. House-wives are put to tremendous hardship and inconveniences in securing their ration quota, which itself is quite meagre. Besides they have to go to the ration shops more than once, as supplies of all the rationed articles are not available at one time. The quality of the supplies received by them is not only very poor but the supplies are mixed with foreign injurious material. Apart from the financial loss sustained, the time and energy of the house-wives are frittered away in cleaning the rationed materials".

But who was responsible for this sad state of affairs. Mr Kilachand unhesitatingly pointed out that the responsibility for such a situation lay at the doors of the government which in times of acute scarcities, subjected the trading activities to rigid controls and regulations both on prices and distribution. For this purpose, it sought the assistance of such organisations as the state trading corporations, cooperatives and department stores which had failed miserably in the tasks ass[igned] to them. Consequently, increased d[istor]tions in the economy ensued which fu[rther] increased the hardships of the consu[mers]. While suggesting that the services o[f pri]vate trade should be used extensiv[ely in] this behalf, Mr Kilachand also urge[d the] trading community not to exploit the [situ]ation in periods of shortages and sh[ould] ensure that there was no adulter[ation] and the consumer was not cheated thr[ough] faulty weights and measures.

Discussing the policy of canalisati[on of] imports and industrial raw materials, [Mr] Kilachand brought out the inherent s[hort]comings of the state trading organisa[tions] which "concluded business deals wit[h] foreign suppliers at wrong times, paid unduly high prices for imports, imported wrong types of goods or g[oods] not according to specifications and [were] unable to give timely supplies of esse[ntial] raw materials to the industries". Kilachand's criticism, however v[alid,] could not pull down the state tra[ding] organisations which were set up by [the] government for reasons not related t[o the] economics of trading. However, it c[ould] certainly make the government t[hink] twice before extending the list of c[ana]lised items. Also, it could lead to fu[rther] liberalisation in the import policy i[n the] sense that in cases where the can[alis]ing agency was not in a position to m[ake] available supplies of the raw materia[ls to] the industries in time, the industrial [units] could be permitted to import directl[y on] the basis of letters of authority. [...] Mr. Kilachand was right in empha[sis]ing the importance of prompt ac[tion] because many a time late action wa[s of] no avail.

The FICCI resolution on the nati[onal] economy in the changing world situa[tion] stressed the importance of acceler[ating] production in our country both in agr[icul]ture and industry. Besides recommen[ding] concentrated investment in minor [irri]gation, fertilisers, high-yielding vari[eties]

s, model farms and dry farming, it ed fuller utilisation of installed rial capacity and a restructuring of mental expenditures by curbing oductive outlays.

Harish C. Mahindra, the newly-l president of the FICCI, assessed ate of the economy of our country light of the rapid changes taking all over the world. Highlighting impact of the oil crisis which he world in the last quarter of he said that the oil-importing de-ed countries would have to make ional annual payments to the extent 40 billion while the oil-importing de-ping countries would be burdened to xtent of $ 20 billion. This diversion of illion from both the developed and the oping countries to a handful of oil-countries had changed the financial ix of the world. Consequently, it had ed balance of payments problem majority of countries including .

r Mahindra deplored the fact that the omic policies of our country were not gned to meet the new challenge. The ernment had failed even to notice the ssion in the economy especially when rge number of industries were not able tilise more than 50 per cent of their acities. Besides reduced production, employment opportunities had dropp- and, according to Mr Mahindra, 1974, employment in the private tor was less than in 1973 by nearly),000".

Dilating upon the rising trend in prices, Mahindra pointed out that for full months the people in this country had en groaning under the heavy burden of flation before the government initiated ti-inflationary measures. The govern-ent acted but in a slow manner with e result that the urban poor and the iddle classes were unnecessarily hit hard. he same story was being repeated in the ase of the reversal of the cycle when the conomy was caught up in a recession. Ie therefore warned that the damage to he economy would be extensive if the anti-ecessionary measures were not taken in me and the economy was allowed to slide into a deep depression. The measures suggested by him in this connection were liberalisation of credit, bringing down of interest rates, restructuring of government expenditure and rationalisation of restraints on dividends. Mr Mahindra urged that the effectiveness of the measures taken by the government would be blunted if action wes not taken expeditiously.

The policy of over-control by the government in our country had also distorted the development of industry, according to Mr Mahindra. He cited the retarding influences of industrial licensing, capital issues control, MRTP, exchange control and price control which very often conflicted with one another and did not allow the industry to develop in a rational way. As a consequence, all the important industries such as cement, paper and fertilisers had lagged behind. It was therefore essential that the development of industries in this country should "be operated at a single point, and not through a multiplicity of instruments handled by a multiplicity of agencies".

Mr Mahindra made a pertinent reference to the "scale of operation" which he rightly stressed was decisive in promoting a better use of national resources. He said that a 500,000-tonne fertiliser plant was much more productive than five units of 100,000 tonne capacity. Drawing upon a Reserve Bank study, he showed that profitability rate increased with the increase in the size of the undertaking. Undoubtedly, size was not the only potent factor for increasing profitability but for every industry there was a size of undertaking which was known to be optimum. Any reduction in the optimal size was surely negation of the maximization of profitability.

The resolution on self-reliance in external resources found in Dr Charat Ram a powerful exponent of the concept of "return on investment". He suggested that all releases of foreign exchange for commercial purposes should have a built-in foreign exchange generating situation. In other words, every unit of foreign exchange released by the government should result in earning or saving foreign exchange. At the same time, "the allocation of our foreign exchange should result in a return on such investment of at least 30 per cent".

On the face of it, this concept had great merit but a closer examination revealed that its universal application was almost impossible. The profitability of an enterprise was dependent upon a number of factors such as government's control on distribution and prices, availability of raw materials and the taxation policy of the government, and not the allocation of foreign exchange alone. In fact, every year the Finance minister was on the look out for industries which had profitability of 30 per cent or more so that he could enhance the tax burden. Therefore, it seems that it would not be a simple task to put this recommendation of Dr Charat Ram into practice.

Dr Charat Ram's suggestion regarding the adoption of "intermediate technology" had limited application because technical know-how in some of the sophisticated industries had progressed at such a breakneck speed that many an enterprise had been wiped out through obsolescence. There was no doubt that such countries as China, Malaysia and the Philippines had made considerable advancement through "intermediate technology" but surely the industries covered did not belong to the class which had to face international competition. For example, in the printing industry we had continued with some of the nineteenth century techniques but on that basis we could not hope to compete in the world markets.

In regard to import substitution planning, Dr Charat Ram made a valid point that import substitution industries were more dependable in the long-run for reducing the dependence on external assistance. Surely fertiliser plants, synthetic fibre plants, detergent plants, organic chemicals, steel of various categories, and mechanical and electrical machinery could save considerable volume of foreign exchante. In addition, they offered numerous employment opportunities to engineers, techincians, skilled and unskilled workers. While production for export promotion or domestic consumption should not be ignored, there needed to be a shift in emphasis on import substitution industries which benefited the country in the long-run in more ways than one.


WHEN
THERE'S A NEED . . .
to drill blast holes at open mining-ferrous
& non-ferrous ores, minerals, coal,
construction materials.
THERE'S A MUST :
"S B Sh-250MN"
&
"S B Sh-320"
MOBILE ROTARY-BIT DRILLRIGS
. . . blast hole diameters : to 260 mm (SBSh-250MN)
to 320 mm (SBSh-320)
. . . vertical or inclined (to 30°) holes
. . . crawler-mounted;
with independent electric
drive of each track
320
MACHINOEXPORT
147-15-42 SSSR MOSKVA 117330 7207 MOSKVA V-330

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

dministrative Expenditure • Economic Outlook • Sugar Production • Power Generation

E UNION ministers of Finance are never ed of stressing the need for containing ministrative expenditure. Yet they m to shut their eyes when some nistries put forth proposals for aug- nting staff at the senior levels. This t only makes a mockery of govern- ntal efforts at economising in adminis- ative expenditure but also creates new eels in the process of decision-making.

A pertinent case reflecting the above ate of affairs at the centre is the oposal of the department of Company ffairs to augment its staff strength in e senior echelons despite the fact that e present strength of this staff consider- bly exceeds not only the norms of the inistry of Finance but also those laid y the Administrative Reforms Commis- on.

As a result of the recent amendments the Companies Act, which came into orce with effect from February 1, 1975, ertain matters which were earlier deci- ed by law courts have been transferred o the Company Law Board. The depart- nent of Company Affairs is understood o be trying to seize this opportunity for ugmenting its staff, although the total vork transferred to it from the courts nd also the new burden that has been hrown on it by virtue of the insertion of few new sections in the Act is not heavy.

marginal work-load

The work transferred from the courts to the Company Law Board, it is learnt, does not involve even half an hour's job to the persons required to do it. The other additional work-load too is just marginal. Even then the Finance minis- try is said to have agreed to the proposal of the department of Company Affairs to create three benches of the Company Law Board at Bombay, Madras and Calcutta. The benches are to be headed by board members having the status of joint secretaries. Already the Board has four regional offices—three in the cities of Bombay, Calcutta and Madras and the fourth one at Kanpur—headed by regional directors. As the new work created for the board through the above-mentioned amendments to the Com- panies Act is not heavy, it could have been very easily handled by the regional directors who are said to be having not more than two hours' work daily.

efficient utilisation

These regional directors could be very easily made ex-officio members of the Com- pany Law Board and the supporting staff in their offices could have been entrusted with the work transferred to the Board from the courts. Even if it was neces- sary to confer on them a better status—that of joint secretaries—that would have involved much less expenditure than what would be the case with the setting up of three new benches at Bombay, Madras and Calcutta.

So far as the headquarters of the department are concerned, the ministry of Finance is understood to have agreed to create four more branches for the additional work. This will raise the total number of branches to 20. For the present 16 branches, the department has one secretary, three joint secretaries three directors, one additional director, three joint directors, four deputy secre- taries and seven under-secretaries, be- sides the supporting staff. In the minis- try of Finance, a branch is headed by either a deputy secretary or an under- secretary and is supervised either by a director or a joint secretary. The Ad- ministrative Reforms Commission too had recommended that there should be not more than two levels of consideration below the minister. In the department of Company Affairs, however, there is a chain of under-secretaries, deputy secretaries, joint directors, directors, joint secretaries, secretary, deputy minis- ter and minister. Consequently, the levels of consideration exceed the limit suggested by the Administrative Reforms Commission. On the basis of its present strength, a deputy secretary or an officer of equivalent rank is said to be looking after only 1½ branches in the department of Company Affairs as against the norm of four branches. The increased res- ponsibilities of this department, thus. could be easily looked after by the present senior staff. In fact, the staff inspection unit had recently identified some surplus senior staff in the department, but this staff has not only been allowed to conti- nue but new additions also are being thought of. Perhaps staff strength is considered status symbol by ministries!

There are a number of other instances of how the government's economy drive is being thwarted by some ministries. The areas concerned are the overtime payments to staff, use of cars, tours by senior officials, etc. The nation, indeed, is being made to pay heavily for all this.

* *

The new president of the Federation of Indian Chambers of Commerce and Industry, Mr Harish Mahindra, feels confident that the national economy can be expected to register a significant im- provement during the current financial year. Addressing newsmen soon after assuming the presidentship of the FICCI, Mr Mahindra pointed out that his confi- dence in the future of the national eco- nomy was based on four considerations. Firstly, the country had abundance of natural resources, labour, skills, techno- logy and entrepreneurship which could be combined to promote rapid progress. Secondly, the difficulties which had overtaken the economy in the last two or three years were less severe now and balance was being restored among the various sectors. Thirdly, there was a greater confluence of ideas and similarity of outlook on the part of both the government and the business community. Lastly, the public sector enterprises were getting out of their teething troubles.

Mr Mahindra, however, called for timely action whenever difficulties arose.

In the current context, he thought that a fresh look was necessary on the credit policy.

The FICCI president thought that both the public and the private sectors had their roles to play in the national economy; controversy over their respective roles was futile. All the enterprises he stressed, were an integral part of the national economy and whenever any enterprise, whether in the public sector or in the private sector, got sick or failed the nation as a whole suffered. If this simple fact was appreciated, he felt confident that there would be a tremendous and radical change in the entire situation The public and private sectors, Mr Mahindra emphasised, would have to operate on the same wave-length in the context of social welfare.

utilisation of capacity

Mr Mahindra laid a good deal of stress on better utilisation of the existing industrial capacities. He called for a review of the fiscal imposts on the sugar industry and mini-steel plants. He as well expressed the view that the impact of the omnibus one per cent excise duty on manufactures continued to be harsh particularly on small enterprises, despite the slight modifications effected by the minister of Finance last week.

Mr Mahindra regretted the delay in amending the Restriction of Dividends Act. The problem of high costs, both in the public and the private sectors, he opined. too needed to be looked into expeditiously. He hoped that the government would take expeditious action on the report of the high-powered committee which was going into the impact of escalation in capital costs on investment and prices when this report was received. He felt that such measures as replacement, value-based depreciation, removal of surtax, reduction of corporate tax to 50 per cent, etc., needed to be considered in this respect as even the development rebate (which has been withdrawn) could not fill the bill.

* *

The union ministry of Agriculture and Irrigation feels that as the current crushing season is not yet over, it is too early to come to any definite conclusion on the losses likely to be incurred by sugar factories and the measures which might be necessary to compensate the factories for the losses. On April 29, as many as 114 factories spread almost all over the country, were reported to be still working. Not only the duration of the current crushing season has expanded but also the recovery of sugar from cane is said to have been better than anticipated before the commencement of the season. Besides, a firm estimate about the overall realisations of the industry from the disposal of free-sale sugar during the current season, it is pointed out, will have to be taken into consideration while assessing the profitability of the industry. The government, however, has assured the industry that it will keep a watchful eye on the situation and could be trusted to take such measures as might be warranted to compensate the industry for its losses.

The president of the Indian Sugar Mills Association, it may be recalled, had recently expressed the view that the industry would be incurring a loss of nearly Rs 100 crores by the end of the current season as a result of the non-revision of the price of levy sugar and the sharp decline in free-sale sugar prices. He had asked for an immediate relief for the industry in three ways: (i) sharing of the rupee profits on sugar exports; (ii) increase in the sale price of levy sugar; and (iii) increase in the share of free-sale sugar in the domestic market.

record production

According to the latest assessment, sugar output this year is expected to go up to at least 46 lakh tonnes, as against the original estimate of 42-43 lakh tonnes. This will be a record production. Already eight lakh tonnes more sugar has been produced compared to the output during the corresponding period last year. In view of the expected record output, the State Trading Corporation expects to enlarge exports quite substantially.

A rapid development of the sugar industry is envisaged in the next three years. The Food secretary, Mr G.C.L. Joneja, revealed at the last week's meeting of the Development Council for the Sugar Industry that sugar output was envisaged to be raised to 60 lakh tonnes by the end of the current Plan period, i.e. by 1978-79. The existing units, he said, could increase their capacities upto 25 per cent of the licensed levels without taking out fresh licences. They could even expand their capacities further to any extent provided the total expenditure on an expansion project did not exceed one crore of rupees.

The government is expected to take decisions shortly on the recommendations of the committee set up recently to suggest incentives to make the new sugar-manufacturing units economically viable. The high project costs have been one of the main reasons for the slow progress in the expansion of the sugar manufacturing capacity.

The question of the diversification of the feedstock of the industry too is under consideration in the light of the recommendations of the committee whic gone into the matters relating cultivation of beet, including the i ves required for extracting sugar this farm product. Another matte is being considered is the reducti the number of grades of sugar an formity of its colour,

* *

Slightly over 2,750 MW elec generation capacity is expected added during the current financial Of this, 60 MW capacity will be i central sector and the remainder i states sector,

The central project likely to be missioned by December is the first of the Baira Siul hydro-electric p in Himachal Pradesh, In the state the major additions to generation city are expected in Maharashtra MW), Uttar Pradesh (410 MW), Gujarat (315 MW). No new capaci expected to be added during the in the states of Madhya Pra Manipur, Meghalaya, Nagaland Rajasthan.

The current year's outlays in state Plans for the development of p resources and the generation capa anticipated to be added by Marc 1976, through these outlays a follows.

Annual Plan 1975-76: State's Out on Power Development and Anticipa Benefits

States	Outlay (Rs crores)	Anticip addit genera capacity ing 197 (MW)
1. Andhra Pradesh	64.60	20
2, Assam	15.90	3
3. Bihar	55.55	11
4. Gujarat	63.00	31
5. Haryana	48.00	6
6. Himachal Pradesh	7.70	—
7. Jammu & Kashmir	20.95	9
8. Karnataka	41.00	178.2
9. Kerala	21 30	26
10. Madhya Pradesh	97.91	—
11. Maharashtra	111.15*	55
12. Manipur	0.92	—
13. Meghalaya	2.10	—
14. Nagaland	0.72	—
15. Orissa	37.75	12
16. Punjab	70.09	11
17. Rajasthan	29.00	—
18. Tamil Nadu	39.00	11
19. Tripura	3.90	1
20. Uttar Pradesh	181.06	41
21. West Bengal	54.71	12

*Tentative

POINTS OF VIEW

Automotive industries: constraints on growth

R.C. Ummat

s THE UNION minister for Industry and ivil Supplies, Mr T.A. Pai, observed at ie recent meeting of the Development ouncil for Automobiles and Allied ndustries, the recent production trends 1 these industries present a very interesting picture. Whereas the output of commercial vehicles, motorcycles, scooters, nopeds, scooterettes, three-wheelers, ractors and diesel engines has been well ept up during the last two years, that of assenger cars, jeeps, road rollers, excavators and forklift trucks has tended to go down after a record or near-record production in 1973-74 (see Table I).

This, of course, is not surprising in he least. The steep increase in the prices of motor spirit during the last 20 months or so, following near-quadrupling of crude oil prices in this period, could not but bring down the personal use of cars and lead to a shift in demand for vehicles the running costs of which are much lower. Simultaneously, the prices of cars have gone up markedly. This has not only contributed to restraining private demand but has also affected the taxi trade. The near-doubling of the fares of taxis has scared away a large section of the travelling public. There has thus been a good deal of shift in demand from passenger cars to motorcycles, scooters, mopeds, scooterettes and three-wheelers.

The resultant effect of the above on production has been that while the output of cars and jeeps during the nine months to December, 1974, was just of the order of about 24,400 and 7,220 numbers, respectively, as against 44,543 and 12,356 numbers during the previous 12 months, that of motorcycles, scooters, mopeds, scooterettes and three-wheelers has gone up. In 1973-74, 46,964 motorcycles were produced. The output of these vehicles during the nine months to Decem ber last itself was 43,815 numbers. A regards mopeds, scooters and scooterette the industry turned out 98,112 machin during April-December, 1974, as again 103,674 units during the previous 1 months. The production of three-wheele during the two periods was 9,577 units ar 11,207 units, respectively.

The demand for road-rollers has gor down following a drastic curtailment in t road development programme necessit ted by economising of expenditure bo at the centre and in the states to conta deficit financing. To some extent, the slov ing down of general developmental activi has caused some setback to the output shovels, excavators, fork-lift trucks, etc

Besides the demand for motorcycle scooters, mopeds, three-wheelers, etc the requirements of diesel engines and tra

TABLE I

Production Trends in Automotive Industries
(1970-71 to 1973-74)

(Unit Nos)

Sl No	Name of industry	Production During:				
		1970-71	1971-72	1972-73	1973-74	April—Dec '74
1.	Commercial vehicles	41,218	39,667	38,374	42,740	318,38
2.	Cars	36,819	40,561	38,290	44,543	24,399
3.	Engines (vehicular)	3,158	2,108	2,133	2,648	2,155
4.	Jeeps	9,846	11,227	12,998	12,356	7,219
5.	Motorcycles	38,855	44,064	48,033	46,964	43,815
6.	Scooters, mopeds & scooterettes	70,318	84,414	88,123	103,674	98,112
7.	Three-wheelers	4,733	7,347	10,710	11,207	9,577
8.	Road rollers	170	450	933	1,504	1,009
9.	Shovels/excavators/draglines	89	102	123	116	85
10.	Tractors	20,099	16,758	19,786	24,160	21,601
11.	Mobile cranes	72	65	83	43	53
12.	Fork lift trucks	620	1,044	702	551	470
13.	Diesel engines (stationary)	68,630	70,012	83,200	170,648	76,335
14.	Petrol/kerosene engines	21,566†	33,104	49,093	—	52,471
15.	Automobile ancillary	996.4*	1269.62*	1243.85*	1500*	1750*

*Rs in million. † Including sprayers.

TABLE II

Development Plans For Selected Automotive Industries

Industry	A/c. unit	Licensed capacity	Installed capacity as on 1-1-75	Additional capacity			Targets for 1978-79			
				Licensed	Registes-ed	Letter of Intent	Originallyindicated by Planning Commission		Revised current cations	
							Capacity	Production	Capacity	Proc tion
1	2	3	4	5	6	7	8	9	10	11
1. Medium & Heavy Duty Commercial Vehicles	Nos	78,000	53,500	15,500	Nil	Nil		80,000	85,000	64
2. Light Commercial Vehicles	,,	17,000	7,000	10,000	Nil	70,000		27,000	35,000	28
3. Jeeps	,,	15,000	13,000	2,000	Nil	Nil		18,000	20,000	18
4. 3-wheelers	,,	63,800	18,800	37,000	Nil	62,000		20,000	50,000	40
5. Passenger Cars	,,	97,400	47,400	50,000	3,000	1,46,500		1,60,000	65,000	60
6. Scooters	,,	3,30,200	98,200	2,44,000	5,000	2,95,000		4,00,000	3,50,000	3,00
7. Motor-cycles	,,	82,000	76,500	6,000	Nil	Nil		2,00,000	1,75,000	1,30
8. Mopeds	,,	1,87,500	67,500	1,50,000	25,000	1,86,000		2,00,000	1,75,000	1,30
9. Agricultural Tractors	,,	1,35,000	46,000	Nil	Nil	20,000	1,25,000	80,000	1,00,000	70
10. Power Tillers	,,	36,000	10,000	Nil	Nil	4,000	36,000	20,000	36,000	20
11. Excavators	,,	380	380	380	—	—	—	—	380	
12. Crawler Tractors	2,130	600	1,539	—	—	—	600	490	1,500	1,
13. Dumpers (Rear)	Nos.	638	400	238	—	—	650 (items 13–17)	590	788	
14. Dumpers (Bottom)	,,	—	—	—	—	—				
15. Motorised Scrapes	,,	250	150	100	—	—				
16. Elevating Scrapes	,,	—	—	—	—	—				
17. Towed Scrapes	,,	60	60	—	—	—			*	
18. Motor Grades	,,	60	60	60	—	—	—	—	40	
19. Wheeled Tractor (Dozzer)	,,	—	—	—	—	—	—	—	*	
20. Crawler Mounted Loader	,,	120	60	60	—	—	—	—	100	
21. Wheeled Loader	,,	150	150	—	—	—	—	—	150	1
22. Road Rollers	,,	6,383 (items 22–24)								
23. Vibratory Road Rollers	,,		2,000	2,600	1,483	300	2,500	1,790	2,500	1,8
24. Crawler Mounted Crane	,,	—	—	—	—	—	—	—	*	
25. Pneumatic Tyred Crane	,,	472	264	—	210	—	—	—	400	3
26. Truck Mounted Crane										
27. Diesel Elect.	,,	335 (items 27–28)	335	—	—	—	—	—	*	
28. Loco Shunters										
29. Fork Lift Trucks	,,	4,240	4,240	—	—	—	—	—	*	
30. Diesel Engines	,,	3,62,868	3,62,868	—	—	—	—	—	*	
								(3000 for (HD type)	(2500 HD type)	
31. Flywheel Ring Gears	Nos.	1,02,000	1,02,000	Nil	2,00,000	—	5,50,000	4,15,000		
32. (a) Clutch Assembly	,,	3,66,720	3,66,720	—	—	1,80,000	16,00,000	12,35,000		
(b) Clutch Plate	,,	8,11,680	7,51,680	60,000	—	6,00,000	27,40,000	20,60,000		
33. (a) Hydraulic Brakes	Sets	1,96,000	1,96,000	Nil	—	1,70,000	17,00,000	13,00,000		
(b) Air Braks	,,	96,000	96,000	Nil	—	40,000	1,10,000	80,000		
34. (a) Piston	Nos.	42,40,000	42,40,000	Nil	Nil	16,00,000	88,00,000	65,00,000		
(b) Piston Rings	,,	109,00,000	309,00,000	Nil	Nil	430,00,000	508,00,000	380,00,000		
35. Shock Absorbers	,,	24,28,000	23,08,000	1,20,000	Nil	47,00,000	85,00,000	68,00,000†		
36. Engine Valves	,,	142,30,000	97,00,000	45,30,000	6,00,000	74,50,000	168,00,000	125,00,000		
37. Wheels	,,	7,00,000	7,00,000	Nil	—	10,30,000	95,00,000	19,13,000		
38. Carburettors	,,	9,16,000	6,36,000	2,80,000	Nil	7,40,000	14,40,000	10,75,000		
39. Bimetal Bearings	,,	102,40,000	102,49,000	Nil	Nil	167,60,000	520,00,000	39,00,000		
40. (a) Starter Motors	,,	2,32,000	2,32,000	Nil	Nil	1,70,000	5,50,000	4,15,000		
(b) Voltage Regulators	,,	3,51,000	3,51,000	Nil	Nil	2,79,000	12,00,000	9,00,000		
(c) Distributor	,,	1,32,000	1,32,000	Nil	Nil	1,50,000	2,80,000	2,20,000		
(d) Dynamo	,,	2,46,000	2,46,000	Nil	Nil	1,95,000	5,50,000	4,15,000		
41. Fuel Injection Pumps										
(a) Mlti cyl.	,,	1,63,000	1,10,000	53,000	—	1,15,000	2,50,000	1,90,000		
(b) Single cyl.	,,	7,96,080	6,34,000	1,62,000	—	4,85,000	4,50,000	3,35,000		
42. Nozzles	Nos.	63,20,080	54,50,080	8,70,000	—	31,00,000	96,000	72,50,000		
43. Elements	,,	56,96,080	44,46,080	12,50,000	—	26,50,000	88,00,000	66,50,000†		
44. Delivery Valves	,,	48,96,080	36,46,080	12,50,000	—	23,50,000	88,00,000	66,50,000		
45. Nozzle Holders	,,	13,74,000	10,26,000	13,48,000	—	23,50,000	16,50,000	12,40,000		

†Item-wise revised targets have not been indicated. However, the original targets are likely to the revised to a lower figure due to revisd targets f[or] the automotive sector as a whole. * Demand is erratic.

have tended to go up in view of the phasis being placed on agricultural de-opment. Tractors are growing in use pite land reforms as mechanisation of ming cannot be avoided too long. In case of diesel engines, exports too have n a helpful factor. The growing city nsport requirements are throwing up ugh demand for commercial vehicles, ecially those run on diesel. Significantly ugh, the price of diesel oil has not been sed as steeply as that of motor spirit. t the truck transport business has been cted in the past few months to some ex-t by the general tempo of activity leav- much to be desired.

wnward revision

This changing pattern of requirements viously cannot leave the current five-ar Plan programmes of automotive in-stries unaffected. The Planning Com-ssion has recently revised downwards 1978-79 production targets of most these industries. In the case of passen-r cars, excavators, etc., it presumably s been done in view of the fall in demand r them. But the targets in the case of mmercial vehicles, scooters, motorcycles, opeds, agricultural tractors, etc., have en scaled down presumably on antici-tion that nothwithstanding the uptrend the demand for them, the originally ntemplated additions to capacity would t materialise in time. To some extent e production of scooters, commercial hicles and tractors has been affected uring the past few months by severe po-wer-cuts and non-availability of critical components. The credit constraints have also had some effect on the production of several automotive industries, particularly commercial vehicles. The revised current Plan development programmes of the automotive industries are summarised in Table II (page 1032).

Although in view of the paucity of resources for developmental purposes in general and the high prices of petroleum products, the demand for the products of most of the automotive industries cannot be expected to grow in the near future at the same rate as it was growing till about two years ago, it will be a grave mistake to allow these industries to languish. Some of the automotive industries, indeed, are vital for the economy as a whole. Their multiplier effect also is very significant.

high imposts

A major limitation on the output of most of the automotive industries, besides the current cuts in power supply and the difficulties of procuring some critical components, is their high prices. The high prices of automotive products are partly due to the heavy governmental imposts and partly to the uneconomic size of production capacities. It needs to be emphasised that the demand for most automotive products is quite flexible. If their prices, therefore, can be brought down, the demand can be revived significantly.

The two factors largely responsible for the high prices of most automotive pro ducts are the heavy excise burden on ther and the uneconomic scale of their produc tion facilities. The high prices, therefor will have to be brought down through con certed action in both these fields.

excise duties

Excise duties at the final stage as well a at the intermediate stages of productio —on ancillaries, raw materials, etc. — ar said to form 30 to 50 per cent of the price of various automotive products. With th decline in demand for some products, th law of diminishing returns has starte operating in the receipts from fiscal im posts on them. A committee set up by th Development Council for Automobile and the Allied Industries too has expresse the view that the present system of excis levies on automotive vehicles needs to b rationalised on the basis of the engin cubic capacity. It has further recom mended that preferential levels of dut might be considered for the light vehicle and the levy on all vehicles should be o their value, excluding the value of th body. The following is the revised excis schedule suggestion by the committee fo the various vehicles:

1. Auto cycles, motorcycles, mopeds, scooters or any other two-wheeled or three-wheeled vehicles fitted with engine of not more than 75 cc. 6%
2. Motorcycles, scooters, auto-rickshaws and any other two or three-

TABLE III

Capacity Utilisation of Selected Automotive Industries

Name of the unit	Licensed capacity	Productive capacity	Production 1973	Production 1974
Commercial Vehicles (Medium & Heavy Duty)				
1. Tata Engg. & Locomotive Co. Ltd	36,000	24,000	23,107	22,277
2. Ashok Leyland Ltd	12,000	8,500	5,659	7,516
3. Hindustan Motors	15,000	15,000	2,324	1,874
4. Premier Automobiles	15,000	6,000	4,041	4,356
Commercial Vehicles (light)				
1. Bajaj Tempo	4,000	4,000	5,005	3,879
2. Standard Motors	3,000	1,000	965	185
3. Mahindra & Mahindra	10,000	2,000	1,299	954
Jeeps				
Mahindra & Mahindra	15,000	13,000	13,071	10,015
Passenger Cars				
Hindustan Motors	30,000*	30,000*	26,275	20,333
Premier Automobiles	14,000*	14,000*	15,578	14,757
Standard Motors	3,400*	3,400*	614	1,666
3-Wheelers (Auto rickshaw)				
1. Automobile Products of India	48,000	9,000	3,101	4,368
2. Enfield India	Scooters/3-wheelers 1,800	1,800	Nil	Nil

Continued

Capacity Utilisation of Selected Automotive Industries—(*Contd.*)

Name of the unit	Licensed capacity	Productive capacity	Production 1973	
3. Bajaj Auto Ltd.	15,000 3-wheeler		8,234	8
Scooters				
1. Bajaj Auto Ltd.	48,000 Scooters	53,000	50,361	55
2. Automobile Products of India	48,000 for scooters/3-wheelers	39,000	24,768	29
3. Escorts Ltd.	24,000 for Scooters/MC	6,000	2,926	1
4. Enfield India Ltd.	1,200	1,200	24	
Mopeds				
1. Mopeds India	30,000	30,000	11,310	11
2. Kinetic Engg. Pvt. Ltd.	30,000	30,000	7,197	17
	(Registered)	30,000	7,197	17
3. Saund Zwirad Union Pvt. Ltd.	7,500 (capacity bifurcated for motor-cycles)	7,500	4,805	
Motor Cycles				
1. Ideal Jawa	30,000	24,000	19,122	20,
2. Enfield India	27,000	27,000	13,926	16,
3. Escorts	24,000	18,000	16,394	16,
4. Saund Zwirad	7,500 (Retisgered	7,500	48	
Vehicular Diesel Engines				
Simpson & Co.	12,000	6,000	2,496	3,
Agriculture Tractors				
1. Tractors & Tractor Equipment Ltd., Madras	7,000	5,000	1,494	2,3
2. International Tractors Co. (I) Ltd., Bombay	10,000	12,500	9,502	9,2
3. Escorts Ltd., Faridabad	16,000	7,000	4,887	5,1
4. Escorts Tractors Ltd., Faridabad	6,000	4,800	2,818	3,4
5. Hindustan Tractors Ltd., Baroda	7,000	3,500	310	7
6. Eicher Tractors Ltd., Faridabad	2,000	1,500	969	1,1
7. Hindustan Machine Tools Ltd., Pinjore	12,000	8,000	3,557	5,9
8. Kirloskar Tractors Ltd., Nasik	10,000	1,600	Nil	5
9. Punjab Tractors Ltd., Chandigarh	12,000	2,500	Nil	3
10. Rotter Tractors Ltd., Poona	10,000	600	Nil	
11. United Auto Tractors Ltd., Hyderabad	5,000	1,000	—	Producti yet to co men
12. Perfect Tractors Ltd., Patiala	5,000	1,000	—	Production commen
13. Harsha Tractors Ltd., New Delhi	10,000	1,000	—	Production y yet to co menc
Power Tillers				
1. Krishi Engines (P) Ltd., Hyderabad	3,000	3,000	113	18
2. V.S. Tillers Tractors Ltd., Bangalore	5,000	3,000	572	1,12
3. J.K. Satoh Agricultural Machines Ltd., Kanpur	6,000	3,000	62	43
4. Kerala Agro Machines Ltd., Alwaye	12,000	1,000	Nil	27
High HP Engine				
1. Kirloskar Cummin Ltd., Poona	2,500	2,500	1,675	2,32
2. Garden Reach Workshops Ltd., Calcutta	168	168	N.A.	N.A
3. Kirloskar Oil Engine Ltd., Poona	200	200	132	15

Note: Similar information relating to selected automotive ancillary units and other automotive industries is proposed to b furnished at the next meeting of the Development Council. *Approved capacity

led motor vehicle fitted with e of above 77 cc	9%
or cars (with or without bo- and jeeps fitted with engine ot more than 2500 cc.	20%
or cars fitted with engine of e than 2500 cc.	40%
or vehicles excluding cars h or without body) and jeeps d with engine of not more n 3500 cc.	10%
tor vehicles excluding cars jeeps fitted with engine of ve 3500 cc.	12½%
ctors including agricultural ctors	10%
otor vehicles not otherwise ecified	10%

nation:

In the case of motor vehicles in sub ms 5 and 6 above, the excise duty will leviable on the price of the chassis ly.

Prices of the vehicle shall be rounded off to the nearest multiple of Rs 100 and for this purpose any part of the price consisting of paise shall be ignored and thereafter if such amount is not multiple of 100, then if the last two figures in that amount is 50 or more, the amount shall be increased to the next higher amount which is multiple of 100 and if the last two figures are less than 50, the amount shall be reduced to the next lower amount which is multiple of 100; and the amount so rounded off shall be deemed to be the amount on which excise duty will be leviable.

The rationalisation recommended by the committee in the excise schedule for automotive products is, indeed, judicious. It needs to be effected expeditiously.

So far as the scale of production is concerned, it is too well-known to be repeated here that the policy hitherto followed has not always been based on economic considerations. The socialistic dogmas have restrained the growth of not only the automotive units but also units in the other industrial fields to their optimum sizes.

In some lines of the automotive industry, it may not be possible to raise production capacities to economic scale on the basis of domestic demand only. The most pertinent case in this respect is that of cars. In this case, we will have to think of exploring possibilities of exports through collaboration with some foreign manufacturers. There is also a good deal of scope for stepping up exports of auto ancillaries.

Incidentally, the suggestion of Mr Pai, in his address to the above meeting of the Development Council, that the automotive industry should attempt a higher degree of standardisation than hitherto in the interest of deriving the maximum benefit out of the existing investments not only in the main plants but also in the ancillary units deserves to be followed up. This can greatly help in expanding the scale of production of the ancillary units which will bring down their production costs and ultimately should help in reducing the costs of the final products.

For the sake of self-reliance in external resources

Dr Charat Ram

> Text of the speech made on April 27 at the annual session of the Federation of Indian Chambers of Commerce and Industry.

LF-RELIANCE in external resources, or re simply put, in foreign exchange re- rces, implies for any country the ievement of a satisfactory equilibrium these resources, based on normal com- ercial transactions, rather than on any rms of external support such as inter- tional loans, grants, etc. All human en- avour in its very nature is inter-depen- ent, be it at the individual, the corporate, the national level; and yet, one could efully strive towards minimising this ependence at the national level at least. he nuances of international diplomacy, nd the economics and politics of exter- al aid, make it imperative, that India trives hard towards minimising this de- endence.

A satisfactory equilibrium in foreign xchange resources is critical for the sus- enance of national economic indepen- ence and development for India, as in- deed for any other developed or develop- ing country. No country, be it less or more developed, could continue with a negative position in its foreign commercial transactions, beyond a few years, without jeopardising the long term pace of economic growth with dignity, for its people. For us in India, the relevance of self-reliance in external resources, stems from our aspiration and plans for providing to our people reasonable levels of goods of mass consumption and providing consequently the necessary infrastructure for our agricultural and industrial development.

Our fifth national Plan had visualised for the country a modest gross growth rate of 5.5 per cent per annum. Nett of population increases this amounts to a growth rate of only about three per cent per annum; and adjusted to the annual rates of inflation the per capita availability of goods in real terms could scarcely be expected to even be maintained year after year. In any event, at the planned gross rate, it would take a near half-century for increasing the real per capita spendable incomes, from the present level of less than Rs 1.0 per day at constant prices, to even about Rs 2.0 per day; the per capita spendable incomes at constant prices have in fact been declining since the last four years. Clearly, at current rates of economic and population growth it would take all the constant running by our people to be able to stay just about where they are today in their per capita consumption levels.

Some of the key indicators in our national economic situation, in our quest for self-reliance in external resources, as I see them, are as follows:

(a) India's population at the turn of the century, it is estimated, would have increased to about a billion people. If living standards of the mass of the people are not intended to be lowered, leave aside the question of raising them at all

we would need to produce, to provide them with their existing levels of per capita consumption of essential goods, about double the amount of food, cotton and cloth, cane and sugar, edible fats, fertilisers, housing etc., in a period of only about 25 years — a herculean task, keeping our recent past performance levels record in view.

(b) Commercial transactions in foreign trade, play in any country, a pivotal role for self-reliance in external resources. In our country, for more than ten years now, we have been running an average deficit of over Rs 400 crores per year. The deficit last year has been around Rs 1000 crores, and in the years to come, the deficits are expected to rise to higher levels, on account of various national and international reasons, which all of us are aware of. The faith that God is an Indian, and that something will always turn up to avert the ultimate disaster, seems to remain firmly embedded in our consciousness.

(c) External assistance, or more simply put, international loans, have been a major component of our external resources. There has been a steady decline in the nett amounts available to us out of these loans. The nett availability, after adjustment of debt servicing payments, has declined from about Rs 800 crores in 1967-68, to under Rs 200 crores in 1972-73. In the last two years, the gross and nett amounts available have somewhat increased, but the real value of these has declined on account of price inflation in international markets. Furthermore, it is not only the larger and larger foreign loans, but also loans of progressively shorter maturities, that have to be reckoned with.

foreign debt

(d) Recurring deficits in our foreign commercial transactions account have led to continuous increases in our "national foreign debt"; this has been rising at a rate which must cause concern to the national business managers and the government alike. The "national foreign debt" repayable in foreign currency alone increased in rounded figures from Rs 400 crores in 1961 to Rs 4,000 crores in 1969, and to Rs 6,000 crores in 1975. With a virtual stagnancy in national production in the last few years and the increasing requirements of foreign exchange for food, fertilisers, fuel oil and development, our foreign debt can only continue to escalate at steeper rates than heretofore. As a consequence, the costs of servicing our external debts have doubled within a decade from about Rs 300 crores per year to over Rs 600 crores last year. Unchecked, our debt servicing costs will go on escalating and reducing the nett availability of external assistance to us.

(e) The consequence of the escalating national foreign debt in the face of a stagnant production process must inevitably be, as it indeed is, that the already meagre consumption levels of the people shall be squeezed further to provide surpluses for export.

(f) Our foreign exchange availability, erroneously referred to as 'reserves', is maintained only through the process of continuous international borrowings. During last year alone our borrowings from the International Monetary Fund amounted to a near Rs 500 crores. But for these borrowings from the IMF, the foreign exchange availability for the economy would have declined to less than two months of our national foreign exchange requirement.

key indicators

These all are some of the key indicators, in the background of which our concern for achievement of self reliance in external resources needs to be viewed.

What then must we do? The national imperatives of economic growth and self-reliance in an unpredictable international political and economic situation require that the government and the national business must unitedly make a renewed vigorous effort towards reducing and minimising the tempo of our dependence on external assistance. Given an identity of approach as between the government and the national business managers the task is, in my view, not as difficult as it may seem. What will certainly be needed from those who are at the helm of our affairs, is the courage to have a relook at our past strategies without fear or favour. We will indeed need to critically re-examine the quality of management and management tools so far used and to provide hereafter a more *effective management of the national foreign exchange resources pool.* Clearly, so far this has not been so — or else how can one explain the situation of the nett external assistance available to us steadily declining, in the face of increasing levels of gross external assistance.

The problem of external or foreign exchange resources could in simple language be defined as, *The problem of paying our imports*; if this is acceptable by large, then the focal points of action clearer. These as I visualise them, wo be as follows, in their relative order importance:

focal points

Firstly—better utilisation of the ava able foreign exchange resources, by th more prudent allocation than heretofo

Secondly—saving foreign exchang by investment in expertly design impo substitution projects.

Thirdly—earning more nett forei exchange by investment in projects of rel tively higher added-value items of export particularly those based on domestic ra materials.

I would like to deliberate briefly on eac of the above policies designed to reduc our dependence on external resources:

Better utilisation of foreign exchang resources—Judging from all the availabl data, the allocation or the spending of th country's foreign exchange resources i the past must be considered to have bee not all too prudent. A government, lik a family, could for some time continue to spend more than it earns, but we know tha a continuance of the habit means the poor house.

It is suggested for consideration that hereafter all releases of foreign exchange for commercial purposes shall have a "built-in foreign exchange generating situation". This would imply the adoption of the concept of "return on investment", measured in terms of foreign exchange saved or earned against every unit value of foreign exchange provided. This proposal may appear somewhat unusual for adoption by a government, but it is not so unusual for those of us who are in business and wish to remain in business. It would not require much mathematical sophistication to calculate that the allocation of our foreign exchange should result in a return on such investment of at least 30 per cent. The realisation must dawn that balance of payments loans, rather than project loans, are not in the best interests of our country.

A good approach to the development process and foreign exchange utilisation in a country such as India is to invest in what has now come to be known internationally as "intermediate technology"; and this of course requires lesser amounts of foreign exchange. The concept of "intermediate technology" has to take root in our country. In Asia, a great deal of pro-

gress has been made in countries such as Malaysia and Philippines along these lines. The excellent and perhaps unique example of China stands before us — a country which continues to expand its standard of living at a remarkable rate despite a virtual moratorium on foreign borrowings of all kinds; the Chinese growth model depends on agriculture and light industry with heavy industry playing a supplemental role, except in certain priority areas.

If the foregoing suggestion merits consideration, it is suggested, that for its effective implementation, a "National foreign exchange releases and utilisation monitoring organisation" be set up in the ministry of Finance.

Investment in import substitution projects—In our scheme of balancing the foreign exchange budget, the emphasis currently is almost entirely on exports, even at the cost of accentuating the problems of domestic consumers and national industries alike. There seems to be little reason for this lopsided approach, excepting that the idea emanates from foreign development economists; undoubtedly, the psychology of everything foreign being better, seems to be applicable in this field no less than in so many others. While the development of import substitution and export-oriented investments serve the same common ends, import substitution industries are more dependable in the long run for reducing our dependence on external assistance, since they do not suffer from the vagaries of the foreign markets, as compared to export oriented industries.

immense scope

The scope for saving of foreign exchange by investment in import substitution programmes is tremendous. Fertiliser plants, synthetic fibre plants to save cotton imports, detergent plants to save oils and fats, organic chemicals, steel of various categories, mechanical and electrical machinery, etc could save foreign exchange amounting to about Rs 1500 crores per year on a permanent basis, in a few year's period. The issue clearly is as to whether our investiable resources of foreign exchange shall go into import substitution production or export promotion production or domestic consumption production. I can only recommend with all the emphasis at my command that we must begin to give a far higher priority to import substitution planning than has been done so far.

As a concrete step I would like to suggest the setting up of a high level "National Import Substitution Board" to draw up plans for making foreign exchange available for selected import substitution industries on a priority basis which would save the country about Rs 200 to Rs 300 crores per year in each succeeding year. Furthermore, the proposed board should recommend on the elimination or reduction of import duties on goods intended for import substitution production, and a well designed incentives scheme for the same as is done for export promotion.

Investment in higher added value items of exports—Export promotion measures have been on for so long now, supported by such a variety of institutions and incentives that there is little new that can be suggested. However, greater emphasis in our investment for export-oriented production should be given to relatively higher added value items particularly those which are based on domestic raw materials; far greater institutional support could be provided on a long term export planning basis to sugar, marine products, processed textiles, engineering goods, aluminium, cement, etc. Export earnings, over the subsisting levels in these types of industries could well build up to a figure of over Rs 1000 crores per year.

other suggestions

Aside from the above focal points of action for increased self-reliance in our external resources, a few other suggestions for consideration are as follows:

—Expansion and modernisation of major national ports should be taken in hand on an emergency basis, in view of the vastly increased two-way tonnages that have to be handled in the years to come. Also steps should be initiated to increase the number of secondary ports. A press release of February 23, 1975 mentioned a sum of Rs 86 lakhs having been released for 1974-75 as loans to the state governments for the development of minor ports. This obviously could not be considered to be the best from our national requirements point of view.

—India, with its sunshine, beaches, flora and fauna and cultural heritage, offers unmatched scope for augmentation of foreign exchange from tourism. Smaller countries with much less to offer earn far more foreign exchange from tourism than we have succeeded in doing so far for our country. Yugoslavia with a population of only about 22 million people has an inflow of about 18 million tourists in a year. By contrast, tourists visiting India numbered less than half a million last year. If we achieve the objective of a million tourists a year by 1980, there would be an estimated short-fall of about 10,000 hotel rooms.

We seem to be unrealistically preoccupied with five-star hotel construction, but tourism in future will demand cheaper hotel accommodation as well as reasonably-priced wayside motels. All in all, for the development of tourism, we will need to create the infrastructure of more modern travel and board and lodging facilities adequate to meet the requirements of the non-Indian traveller.

In the short time available, I could do no more than to place before you briefly some of our major problems and some suggested measures in the matter of reducing our dependence on external assistance in our development plans. Conceptually, there may be little that has not been in our knowledge already; I hope however that a restatement of some known ideas in a different time-setting might provide a greater acceptability of these. I firmly believe that the opportunities before us far outweigh the uncertainties of the future.

Labour productivity and wage-price policy

M.A. Oommen

WAGE-PRICE policy is an attempt by governments to deal directly with the problem of inflation. The partial wage freeze attempted by the central government in July 1974 indicates that the wage-price is contemplated as an important measure to fight inflation. In recent times the USA, the UK, Canada and most European countries followed some wage-price policy or other to contain inflation. Besides the short-term objective of containing inflation, the determination of appropriate wage-price policy could be approached from the broad perspective of evolving a rational and equitable income structure consistent with the national. objectives. This is probably what a planned economy should do. But this article considers wage-price policy only in the context of the inflationary situation in India. The formulation of a wage or price policy involves the determination (a) of the criteria for deciding in general what behaviour of prices and wages is acceptable, and (b) of the circumstances under which exceptions to the general criteria will be permitted. In this article we may briefly examine the relevance of labour productivity as a criterion of wage-price policy in India.

inter-related factors

When there is very little or no demand-deficiency unemployment of the Keynesian type, wages and prices may tend to rise for two distinct but interrelated reasons, often distinguished in economics literature as "demand-pull" and "cost-push" price increase. The demand-pull forces arise from increases in money income and shortages of goods in product market and shortages of labour (in particular occupations and locations) in the factor market. The cost-push inflation has often been described as stemming from labour union pressures on wage rates. In fact, it can be due to excess profits as well. An insulated market coupled with monopoly power in the market enable the producers to make-up the prices. But this aspect is generally forgotten or ignored and cost-push inflation is taken to mean wage-cost inflation.

The argument is that rising cost of living caused by increasing prices initiated probably by demand-pull forces encourage trade unions to extend their scope of organisation and to become more aggressive in their wage claims. When the resulting wage increases are larger than the increase in average productivity of labour, unit labour cost rises[1]. This can become principal cost-push element in the inflationary process. Government policy to check price inflation from the cost side, therefore, may have to find ways of ensuring that average wage incomes rise no faster than average productivity rise over the whole economy.

unit labour cost

It may be useful at this point to clarify the arithmetic of the relationship between wages, productivity and cost of production per unit of labour. Unit labour cost is the rupee cost of the labour needed to produce one unit of output per man-hour.[2] For example if wages were Re 1 per hour, and if on the average one man produces five units of output in an hour, then unit labour cost is 20 paise. If both wages and productivity rise by the same percentage, unit labour cost (ULC) will remain unchanged. Thus, if both rise by 20 per cent from the amounts in the previous example, ULC is $\frac{1.20}{6}=20$ paise. Wage increases that do not exceed productivity increase are thus consistent with stable prices. Unit labour cost will rise, only if wages rise more rapidly than productivity. For example, if wages rise by 50 per cent to Rs 1.50, and output per man hour rises only 20 per cent to six units, then unit labour cost will rise to 25 paise. As regards the criterion for setting prices, it is assumed that if the wage criterion were followed, unit labour costs will be stable. On this assumption the basic criterion for prices has been that on the average prices should not rise. If prices are permitted to rise, obviously it would be self-defeating. For, this would be sanctioning the so-called wage-price spiral which is sought to be contained.

It is very difficult to accept the rationale of the labour productivity criterion without question. First, the identificatio[n of] wage-push with cost-push is some[what] arbitrary especially if wages do not co[nsti]tute an important element of cost. P[rices] may rise due to non-wage factors as [well.] It may be due to the monopolistic s[truc]ture of the market. Second, both [cost-]push and demand-pull forces operat[e si]multaneously in the economy. Whil[e the] chain of causation of events may b[e de]batable, any explanation which doe[s not] take into account both the facts is obvi[ous]ly partial. Third, the acceptance of [the] criterion presupposes the acceptanc[e of] the existing income distribution and [wage] structure without question. This cre[ates] problems in so long as the existing pat[tern] of income distribution is not accepte[d as] just by the trade unions. So it woul[d be] very difficult to accept wage-price po[licy] based on labour productivity with[out] supporting measures to reduce inequ[ali]ties and holding the price line at leas[t in] countries such as India where reductio[n of] inequalities is an accepted national g[oal.] In other words wage policy even in [the] short-run cannot be viewed except as [part] of a long-term income policy in India.

some exceptions

Wage-price policies may have to m[ake] some exceptions to the basic criterion [un]der certain conditions. This is necessar[y to] prevent wage and price policy from [pro]ducing misallocation of resources and [to] alleviate special hardships to workers [and] firms. Wage increases in excess of th[ose] consistent with the basic criteria were [to] be permitted in industries or areas wh[ere] some shortages of labour exist. Furt[her] wage increases may be permitted for w[or]kers whose pay is very low and who h[ave] sufferered relatively more due to inflati[on.] Some of the industries where the w[age-]productivity gap is very much high wo[uld] also be considered in this regard. E[ven] in a time of severe inflation which nec[es]sitates short-term policy measures [to] counter it, equity in the distribution [of] earnings cannot be ignored in a cour[ntry] such as India as we have already mentio[ned.] Of course, the agency administering suc[h] policy needs a working definition of [low] pay if this exception is to be meaning[ful.]

TABLE I

-Rate, Labour Productivity and Unit Labour Cost in the Indian Manufacturing Industry and Selected Industries in the Census Sector 1959-69

r	(1) All manufacturing			(2) Dairy Products (202)			(3) Grain Mills (205)			(4) Bakery Products (206)		
	W	LP	W/LP	W	LP	W/LP	W	LP	W/LP	W	LP	W/LP
-60	0.55	1.49	0.37	0.41	2.89	0.14	0.29	1.24	0.23	0.50	2.39	0.21
-61	0.57 (0.57)	1.31	0.43 (0.43)	0.43 (0.43)	2.17	0.20 (2.20)	0.29 (0.29)	0.84	0.34 (0.34)	0.56 (0.55)	2.35	0.24 (0.23)
-62	0.54 (0.52)	1.42	0.38 (0.37)	0.54 0.52	22.13	0.25 (0.24)	0.31 (0.30)	0.97	0.32 (0.31)	0.61 (0.59)	2.36	0.26 (0.25)
-63	0.65 (0.61)	1.42	0.46* (0.43)	0.53 (0.50)	3.29	0.16 (0.15)	0.32 (0.30)	0.92	0.35 (0.33)	0.58 (0.54)	2.50	0.23 (0.22)
-64	0.68 (0.61)	1.54	0.44 (0.40)	0.62 (0.56)	2.33	0.27 (0.24)	0.34 (0.31)	1.08	0.31 (0.29)	0.62 (0.55)	2.43	0.25 (0.23)
-65	0.69 (0.54)	1.54	0.54 (0.35)	0.66 (0.52)	1.52	0.43 (0.34)	0.37 (0.29)	1.27	0.29 (0.22)	0.59 (0.46)	2.01	0.29 (0.29)
5-66	0.75 (0.55)	1.56	0.48 (0.35)	0.73 (0.53)	1.48	0.49 (0.36)	0.40 (0.29)	1.18	0.34 (0.24)	0.75 (0.54)	2.89	0.26 (0.19)
5-67	0.87 (0.56)	1.62	0.54 (0.35)	0.78 (0.50)	1.13	0.69 (0.44)	0.42 (0.27)	1.18	0.35 (0.23)	0.82 (0.53)	2.50	0.33 (0.21)
7-68	0.97 (0.56)	1.67	0.58 (0.33)	0.86 (0.50)	2.24	0.37 (0.22)	0.48 (0.27)	0.93	0.51 (0.29)	0.77 (0.44)	2.59	0.37 (0.17)
8-69	0.99 (0.58)	1.72	0.58. (0.34)	0.92 (0.53)	3.69	0.25 (0.14)	0.58 (0.33)	1.26	0.46 (0.26)	0.95 (0.56)	3.02	3.32 (0.18)
erage annual percentage change	7 (0.5)	1.8	(1.18)	9.6 (3.2)	(9.6)	15.0 (5.8)	7.2 (2.1)	5.4	9.4 (5.1)	8 (2.1)	3.9	5.4 (1.4)

ear	(5) Sugar and Gur (207)			(6) Miscellaneous Food Industry (209)			(7) Textiles (231)		
	W	LP	W/LP	W	LP	W/LP	W	LP	W/LP
59-60	0.47	1.90	0.25	0.29	1.83	0.23	0.56	1.01	0.55
60-61	0.46 (0.46)	2.15	0.21 (0.21)	0.28 (0.28)	1.25	0.22 (0.22)	0.61 (0.61)	0.95	0.64 (0.64)
961-62	0.53 (0.51)	2.15	0.25 (0.24)	0.30 (0.29)	1.15	0.26 (0.25)	0.66 (0.64)	1.12	0.59 (0.57)
962-63	0.56 (0.53)	1.75	0.32 (0.30)	0.32 (0.30)	1.21	0.26 (0.25)	0.69 (0.65)	1.12	0.62 (0.58)
963-64	0.60 (0.54)	1.59	0.38 (0.34)	0.32 (0.29)	1.02	0.31 (0.28)	0.71 (0.64)	1.15	0.62 (0.56)
964-65	0.61 (0.48)	1.96	0.31 (0.24)	0.29 (0.23)	0.88	0.33 (0.26)	0.72 (0.56)	1.07	0.67 (0.52)
965-66	0.64 (0.47)	1.96	0.33 (0.24)	0.35 (0.26)	1.05	0.33 (0.28)	0.81 (0.59)	10.4	0.78 (0.58)
966-67	0.71 (0.46)	1.50	0.47 (0.31)	0.44 (0.29)	1.37	0.32 (0.21)	0.91 (0.58)	1.16	0.78 (0.50)
967-68	0.78 (0.48)	0.83	0.94 (0.54)	0.48 (0.29)	1.37	0.35 (0.21)	0.97 (0.58)	1.30	0.75 (0.44)
968-69	0.91 (0.53)	2.35	0.39 (0.23)	0.46 (0.27)	0.95	0.48 (0.28)	0.93 (0.54)	1.09	0.85 (0.49)
Average annual percentage change	8.2 (1.6)	12.3	13.5 (8.9)	5.8 (—0.2)	(—1.5)	9.2 (5.7)	5.6 (1.3)	1.3	5.8 (—0.8)

W = Wages per man-hour in rupees. Real wages are given in brackets; money wages deflated by All India Consumer Price Index
LP = Value added per man hour in rupees W/LP = Unit labour cost. Unit labour cost in real terms is given in brackets.
The last row shows the annual average change in the relevant veriables in percentages.

Wage policy may have to allow, wage increases above the averages, in enterprises where productivity rose as the direct result of changes in efforts of workers or work practices involving reductions in non-productive over-time and the like. In Britain this was the most important exception to the basic criteria to the wage-price policy of recent times. This is a differe much smaller set of cases than the all those enterprises with above-a productivity gains, since the avera

TABLE II

Wage rate, Labour Productivity and Unit Labour Cost Trend in the Indian Manufacturing Industry—Sample Sector 1959-68

Year	(1) All Manufacturing			(2) Dairy Products (202)			(3) Grain Mills (205)			(4) Bakery Products (	
	W	LP	W/LP	W	LP	W/LP	W	LP	W/LP	W	LP
1959-60	0.35	1.16	0.30	0.40	1.77	0.22	0.28	1.05	0.27	0.31	0.85
1960-61	0.37 (0.37)	1.11	0.33 (0.33)	0.33 (0.33)	1.83	0.18 (0.18)	0.25 (0.25)	1.05	0.24 (0.24)	0.29 (0.29)	0.60
1961-62	0.38 (0.37)	1.18	0.32 (0.31)	0.36 (0.35)	1.25	0.29 (0.28)	0.26 (0.25)	1.20	0.22 (0.21)	0.37 (0.36)	0.95
1962-63	0.39 (0.37)	1.06	0.37 (0.35)	0.49 (0.46)	3.80	0.13 (0.12)	0.30 (0.28)	0.95	0.31 (0.29)	0.35 (0.33)	0.73
1963-64	0.41 (0.37)	1.11	0.37 (0.33)	0.37 (0.33)	1.67	0.22 (0.20)	0.30 (0.27)	1.07	0.28 (0.25)	0.31 (0.28)	0.56
1964-65	0.44 (0.34)	1.17	0.38 (0.29)	0.38 (0.30)	1.48	0.26 (0.20)	0.31 (0.24)	1.21	0.28 (0.20)	0.38 (0.30)	1.05
1965-66	0.46 (0.33)	1.10	0.42 (0.30)	0.46 (0.33)	0.95	0.48 (0.35)	0.33 (0.24)	1.27	0.26 (0.19)	0.40 (0.29)	1.12
1966-67	0.53 (0.34)	1.14	0.46 (0.30)	0.44 (0.28)	1.26	0.35 (0.22)	0.37 (0.24)	0.98	0.38 (0.24)	0.40 (0.26)	0.89
1967-68	0.58 (0.33)	1.14	0.51 (0.29)	0.53 (0.31)	1.00	0.49 (0.28)	0.39 (0.22)	1.03	0.38 (0.21)	0.53 (0.31)	1.09
Annual percentage changes	6.5 (0.1)	1.12	6.8 (—0.2)	5.3 (1.4)	11.4	21.6 (13.4)	4.5 (2.7)	2.0	6.9 (—0.06)	8.0 (0.5)	10.9

Year	(5) Sugar & Gur (207)			(6) Miscellaneous Food (209)			(7) Textiles (231)	
	W	LP	W/LP	W	LP	W/LP	W	LP
1959-60	0.24	0.37	0.65	0.28	1.52	0.18	0.38	0.92
1960-61	0.27 (0.27)	0.67	0.40 (0.40)	0.30 (0.30)	1.93	0.15 (0.15)	0.49 (0.49)	0.77
1961-62	0.27 (0.26)	0.61	0.44 (0.43)	0.28 (0.27)	1.78	0.16 (0.15)	0.45 (0.49)	0.96
1962-63	0.30 (0.28)	0.63	0.48 (0.44)	0.29 (0.27)	1.24	0.23 (0.22)	0.46 (0.43)	1.04
1963-64	0.29 (0.26)	0.71	0.41 (0.37)	0.30 (0.27)	1.40	0.21 (0.19)	0.46 (0.41)	1.47
1964-65	0.29 (0.23)	0.61	0.47 (0.38)	0.33 (0.26)	1.35	0.24 (0.19)	0.49 (0.38)	1.01
1965-66	0.32 (0.23)	0.51	0.63 (0.45)	0.35 (0.25)	1.66	0.21 (0.15)	0.51 (0.37)	0.93
1966-67	0.35 (0.22)	0.50	0.70 (0.44)	0.39 (0.25)	1.84	0.21 (0.13)	0.56 (0.36)	1.01
1967-68	0.44 (0.25)	0.61	0.72 (0.41)	0.42 (0.24)	1.55	0.27 (0.15)	0.64 (0.37)	1.06
Annual percentage changes	1.4 (0.9)	9.6	2.9 (—4.0)	5.3 (—0.8)	2.2	6.9 (2.2)	7.2 (0.3)	2.4

W=Wages per-man hour in rupees. Real wages are given in brackets; money wages deflated by All India Consumer Price Inde
LP=Value added per man-hour in rupees W/LP=Unit labour cost. Unit labour cost in real terms is given in brackets.
The last row shows the annual average change in the relevant variables in percentages.

ity of labour can increase because of cal change or capital investment, with ange in the efficiency or work prac- of labour.

e problems

us now briefly examine some of the ems if this criterion were sought to be mented in India. Obviously it would ery difficult, if not administratively ssible to implement it in the country whole. As regards the subsistence s and household firms which employ ly family labour only, the question nplementing this does not arise. Even vestern countries such as the UK and ada where it was attempted it was only ial. Clearly, the problem may have to pproached on a selective basis in India. Industries which showed a persistent up-trend in unit labour cost will have to be indentified. The implementation requires a high-powered agency of experts free from political interferences.

The first problem relates to the various service industries. It is very difficult to directly measure the labour productivity in the service industries. The problem is much greater in imposing the criterion to the government employees. As a rough and ready measure, the way out seems to be to insist that their wage increases do not exceed the trend in the national productivity average.

Another important problem relates to price fixation in cases where the wage criterion is based on changes in average productivity in all the industries taken together.

The movement of prices should vary from one industry to another, depending on the trend of productivity in the particular industry. Industries in which output per man-hour is rising less rapidly than in the all-industry average will have to grant wage increases in keeping with the industry average. They will therefore have rising unit labour costs and may raise prices to protect their profit margins. On the other hand industries in which output per man-hour is rising faster than the average will also grant only average increases. They will, therefore, have falling unit labour costs. Such industries are expected to lower their pro-

TABLE III

Ratio of Value Added per Man Hour (LP) to Real Wage Rate, Census and Sample Sectors

Year	All Manufacturing		Dairy Products		Grain Mills		Bakery Products	
	C	S	C	S	C	S	C	S
59-60	2.7	3.3	7.0	4.4	4.3	4.2	4.8	2.7
60-61	2.3	3.0	5.0	5.5	2.9	3.7	4.3	2.0
61-62	2.7	3.2	4.1	3.4	3.2	4.8	4.0	2.6
62-63	2.3	2.8	6.5	8.2	3.0	3.4	4.6	2.2
63-64	2.5	3.0	4.1	5.0	3.5	3.9	4.4	2.0
64-65	2.8	3.4	2.9	4.9	4.4	5.0	4.4	3.5
65-66	2.8	3.3	2.8	2.8	4.1	5.3	5.3	3.8
66-67	2.9	3.3	2.3	4.5	4.4	4.0	4.7	3.4
67-68	3.0	3.4	4.6	3.5	3.4	4.7	5.9	3.5
68-69	2.9	—	6.8	—	3.8	—	5.4	—

Year	Sugar and Gur		Miscelleneous Food Preparations		Textiles	
	C	S	C	S	C	S
959-60	4.0	1.5	6.3	5.5	1.8	2.4
960-61	4.7	2.5	4.5	6.5	1.5	1.6
961-62	4.2	2.3	1.9	6.6	1.7	2.2
962-63	3.3	2.2	4.0	4.5	1.7	2.4
1963-64	2.9	2.7	3.5	5.2	1.8	2.6
1964-65	4.1	2.6	3.8	5.2	1.9	2.6
1965-66	4.2	2.2	4.0	6.5	1.8	2.4
1966-67	3.3	2.2	4.7	7.4	2.0	2.8
1967-68	1.8	2.4	4.7	6.5	2.2	2.8
1968-69	4.4		3.5		2.0	

C=Census sector S=Sample sector

rices and must do so if the average prices is to remain stable. These reductions are needed also to pre- normal profits in certain industries. er, a policy that requires price re- ns is very hard to implement. Imple- tion at the firm level would raise erable practical problems. Need- say, the problem of implementation be easier in public sector industries.

s in wages

v we may examine the trend in the (both money and real) rates, pro- ity and unit labour cost in India in rganised industrial sector. Owing to aucity of data, the period covered is the decade 1959-69 and really miss st five years when the country has in the grip of an unprecedented ion. Tables I and II give an idea the trend for the total manufactur- ndustries and the major agro-pro- ng industries, viz. bakery products, products, grain mills, miscellaneous preparation and textiles. These in- ies are included in view of the fact a sizeable proportion of wage goods dia is accounted for by these products. relevant data are based on the Annual ey of Industry (ASI) covering both Census and Sample sectors. The us sector covers almost all the ories registered under the Indian ories Act,* 1948, and which em- ed 50 or more workers with the of power or 100 or more workers out the aid of power. The Sample or is based on a sample from the other stered factories. Most of them may be sidered to be in the small-scale sector. output figures used in the tables are e added deflated by the wholesale e index of industrial output except in case of textiles and sugar, where the olesale price indices of these commodi- are used. The real wages are money ges deflated by the All-India Consumer ce Index.

he unit labour cost (in money terms) reased at an annual average rate of five cent per annum even before the recent h inflation set in, in regard to the Cen- sector industries as a whole. In the mple sector it rose at an average of 6.5 cent per annum. However the real it cost did not make any significant in- ase in the large-scale industry sector[3] ensus sector). In fact, it did seem to fall so far as the Sample sector was concerned. Speaking industry-wise, the dairy products industry both in the large-scale and small-scale sectors has registered an inordinate increase in unit labour cost. The money wage rise as well as the real wage rise in the industry was not even remotely related to productivity rise. By and large, the labour cost rise in most of the selected industries in the Census sector was somewhat of a high order even when reckoned in real terms. Textiles in the Census sector was an important exception. The grain mills (dal, rice and wheat flour mills), bakery products and sugar in the small-scale sector showed a decline in real cost of labour.

All industrial establishments employing ten more workers with the aid of power or 20 or re workers without the aid of power are defined factories under the Indian Factories Act.

In fine, we may say that even before the recent inflation, cost-push pressures existed in the industrial sector as a whole. The rise in money wage rate was not always related to productivity rise. But reckoned in real terms the cost-push pressures were not significant in some important industries in the small-scale sector.

In considering the question probably one has to consider the wide gap between product per man and the wage rate. Table III (p. 1041) shows the gap between the real wages and real value of product per worker. The latter in terms of the former ranged from 2.3 times to about eight times. The gap was highest in dairy products, where in some years the value added per worker was seven to eight times the wages paid to the worker[4].

vulnerable situation

During the decade 1959-69, while the Consumer Price Index rose at the rate of 6.3 per cent per annum the money wage rate per man-hour rose less than seven per cent and the real wage rate by 0.5 per annum in the Census sector and 0.2 in the Sample sector. In fact, the situation has been vulnerable during the last five years when the average annual increase in prices was above 15 per cent per annum and the money wage rate possibly very much less. The so-called DAs seldom compensate for the rising cost of living. In view of the excess price rise in recent times, a strict adoption of the labour productivity criterion is likely to be strongly resisted. To make it acceptable probably, an "escalator clause" may have to be used along with this.

Two other important factors also militate against the adoption of the criterion without a Consumer Price Index clause added to it. First, there has been a progressive decline in the share of wages in value added. The share of wages as a proportion of value added declined from about 40 per cent in 1959 to 35 per cent in 1969. Second, the gap between value added per man-hour and real wages per man-hour is very wide in some industries (see Table III). Hence a compromise permitting both productivity and Consumer Price Index clause have to be allowed as a ground for wage increase in India. The emphasis on the latter may have to progressively decline within a definite period. Such a step would partially protect the fall in real wages following the wage criterion based on productivity. This would also ensure that successive rounds of the "wage price spiral", would be of diminishing size, so that a limit can be approached. It may be recalled that such a compromise position was adopted by the Canadian Prices and Incomes Commission in initiating a wage policy in 1970, during an on-going inflation.

This article attempts to raise some issues involved in adopting the labour productivity criterion in India especially in the industrial sector. The implementation of the criterion is beset with innumerable difficulties. At best, it can be implemented only on a selective basis. As a policy of containing inflation, it is no substitute for other relevant measures. Monetary, fiscal and other measures to manage demand and to step up the production of essential commodities and streamline the distribution system are really more important. The adoption of this criterion can only be a supplementary measure. Probably, it has some relevance as a measure to spur efficiency, which is often conveniently forgotten.

references:

1. Incidentally the loss of production due to strikes also adds fuel to fire. In the central sphere alone (central government employees plus employees of the industries under the central government) the work stoppage resulted in a loss of two crores of mandays during the period 1960 through 1971 alone (estimate based on Third Pay Commission Report).

2. Output per man-hour is related more closely to the technical efficiency concept of productivity, than output per worker (See. Nicholson, Economic Statistics and Economic Problems (London, McGraw Hill.

3. It may be noted that the association of the Census sector to large-scale and Sample sector to small-scale is arbitrary.

4. It may be noted that a recent study has found that in India the wage paid is much lower than the marginal product (See M.A. Oommen and Robert Evenson, "Scale economies, elasticity of substitution and productivity change in the Indian manufacturing sector" (forthcoming).

Passenger ships on the way out

London

Jossleyn Hennessy

I
Voyages to Nowhere

IN LESS than half a lifetime, the great network of international and coastal routes served by passenger ships has all but disappeared. While cruising has extended the lives of some liners, new tonnage is essential for survival. None is on order.

Passenger liners as a means of international transport have had their day. The jet passenger aircraft overtook these greyhounds of the oceans in the early 1960s.

For some 15 years the passenger ships had held tenaciously to their routes under the assault of the propellor-driven airliner. Then the jets, which soar effortlessly over the weather in vibration-

WINDOW ON THE WORLD

less flight, brought something new to point-to-point travel that the passenger ships could not match despite costly advertising that "getting there is half the fun". Today the "line voyage", the shipping term used for a scheduled run from point A to B has virtually disappeared.

But those passenger ships that survive the grand days of sea travel, and growing number of specialist fun ships, have found a new life in cruising. They prosper on round-voyages to nowhere, their purpose being to give passengers a good time at sea with organised entertainment and tours ashore at the established tourist ports.

The great greyhounds of the oceans have fared ill in this new field. Some companies found that liners designed for warm travel were suitable for the cruise market, but others, particularly those in the cold and tempestous North Atlantic trade, had to face the brutal fact that their prestigious floating places were too big, too costly and wrongly designed for cruising. Many ships have therefore been sold off or are sailing their last Atlantic voyages waiting for the economic axe to fall, and in less than half a lifetime the great network of international and coastal routes served by passenger ships has all but disappeared. Australia-Britain, Australia-Europe, Australia-North America, Australia-New Zeeland, Australia-South Africa and dozens of others that radiated out from Europe, Japan and North and South America.

Not so long ago in Australia, an interstate and intra-state passenger service flourished under such flags as Australia United Steam Navigation Co, Melbourne Steamship Co, Huddart Parker, Adelaide SS Co, and Mcllwraith McEacharn.

Most of these passenger routes around the coast were already dying when World War II took their finest ships into the services as armed merchant cruisers and transports.

A few returned to trade again in the late forties and fifties, but the tide was against them and they went under. unable to withstand high manning costs, waterfront troubles and competition from airlines and road and rail tr port.

II
International Traffic

Up to the 1940s, ships carried bulk of international passenger tra In the 1950s, a fleet of especially c tered ships brought the great post wave of migrants to Australia but then the passenger ship was losing prestige. While most of the cha were well-found vessels, some sai under flags of convenience for cost operation deserved the desc tion "hell ships" which the Austr Press applied to them.

The regular lines carrying passen in well-appointed first and tourist c accommodation included such fam names as Orient, P & O, E & A, S Savill Matson, Lloyd Triestino, Ca dian Australian, Union and Royal terocean Lines. To travel first c in one of these vessels was to en a way of life that has all but passed. passenger played deck tennis, loun in deck chairs, dressed for din bought duty free goods at Aden, watc the Gilli Gilli man do his conju tricks with chickens at Port Said, sa through the Suez Canal, fitted a m scoop to the porthole to divert air the sweltering cabin, threw leis into ocean off Hawaii and marvelled at way the cabin and saloon stewards a cipated every need.

Lloyds Register of Shipping Sat cal Tables, 1973, discloses that world's passenger fleet totals only vessels. Forty years ago several British groups alone could have lis more large passenger carriers. Italy Britain (24) and the United States are the leading operators. But as Italian government is expected to w draw its operating subsides for natio flag vessels, Italy's passenger f will probably shrink within the next years.

The latest statistical returns world shipbuilding orders further rev the state of passenger shipping. N is building and only two enqui

ut for ships of the ocean-going type. The books are buoyant orders for short-sea passenger s and specialist cruise vessels, but dy has invested in a traditional nger liner.

asically, the future for the passen- operation lies in cruising. And as lder, suitable liners reach their age s and go to the shipbreakers the ness will depend more and more ne specialist cruise vessels, These smaller, hardier and more economi- o operate than the old-style ships for international routes.

he older ships have a number of dvantages for the cruise trade: ed fuel range, uneconomical oper- nal speeds, lack of public rooms for rtainment, excessive manning scales perhaps most serious of all, large go holds.

If there are labour disputes tying up ort, then the cargo must stay in the os' holds or on the wharf if adver- d sailing times are to be maintained. all events, passengers take priority r cargo. Recently there have been dents of cargo staying in a passenger p all at ports of call and returning in o its port of despatch!

This is no way to run a shipping vice, but the operators are victims of cumstances not of their own. making. l they can do is wince and pay the bills. have any hope of making a profit passenger operations today, the ler ships sail with empty or only rtly filled holds while the newer ssels have all their space occupied by bins.

III

Modern Cruise Vessels

Prime examples of the modern uise vessels are the Royal Viking Line ips Royal Viking Star, Royal Viking a and Royal Viking Sky. Owned by consortium of Norwegian companies ese vessels operate out of North merica and cater for the luxury trade, lling regularly at Sydney to take on ustralian passengers for a variety of uises. From a ship operator's view- oint one of the outstanding features of e Royal Viking ships is the attention ven to easy maintenance.

Sea-going labour is a high-cost item oday and it must be held to a mini- num if a passenger ship is to achieve ven a modest profit. Indeed manning s the biggest bump in the ship manage- ment problem. Passenger ships are highly labour intensive and operate in a testing element.

If one were to take a luxury hotel, fit it with complex machinery, sub- ject it to constant movement imposing never-ending stresses and strains on its steelwork and fabric, spray it with highly corrossive seawater during its lifetime, hire a team of expensive pro- fessional engineers and managers and maintenance men to move it about the continent, hazard it in daily exposure to the elements and traffic, expose it to an environment teeming with borers and white-ants, feed it with expensive furnace and lubricating oil, insure it at high rates, and after all this hope that the employees whom you pay to carry your guests' baggage in and out do not decide to strike because they suddenly object to racism allegedly being prac- tised by some obscure South American despot—then you might have some idea of what it is like to run a passenger ship today.

prestige lines

Despite these difficulties lines such as P & O, Royal Viking. Sitmar, Domi- nion Far East, Shaw Savill, Chandris Pacific Far East Line, and Lloyd Tries- tino, manage to operate with some suc- cess, principally in the cruising sphere.

Since the early 1960s Australian cruises have been a growth business. In the last two calendar years this trend has continued. These years showed a 33 per cent increase in the number of cruises of 42 days or less and a 28 per cent rise in the number of passengers. In 1972, 64 cruises carried 43,034 pas- sengers and in 1973, 85 carried 59,988. In 1974 the number of cruises, if pro- grammes were fully realised, were expec- ted to exceed the 1973 figure.

December, January and February are the big cruise months. In 1974-75 these months list 35 cruises, taking no account of several line voyages which are essen- tially of cruise character.

Cruising, as with so many other products, follows trends. One year the longer voyage is fashionable, the next it is not. The core of the market is the Pacific with the lure of balmy whether, good tourist ports, and in most cases no health requirements that specify tiresome smallpox and cholera inno- culations.

In the 1974-75 season the 12 to 20 day cruise remains the favourite, but one can discern the Odssey-type sea voy- age beginning to make its mark, such as a 50-day cruise that, leaving from Sydney. takes in Melbourne, Adelaide- Fremantle, Bali, Singapore, Colombo, Port Victoria, Seychelle Islands, Mom- basa, Zanzibar, Lourenco Marques, Durban, Port Louis, Mauritius and re- turn via Australian ports.

One of the features of cruising is the large "loyalty" factor among tourists which is not so evident in other sections of the leisure market. Repeat bookings come in not only for a particular line. but a specific ship and/or captain. It is not unusual for couples, even families to lodge repeat bookings for a parti. cular ship for half a dozen or more cruises.

Another significant and telling factor in the Australian cruise market is the stable and peaceful area in which the ships operate. The Pacific has lived up to its name over the past 30 years. If the Pacific remains pacific and there are no disastrous bumps in costs in crew wages and fuel. cruising should continue to holds its own.

The critical factor, however, is new tonnage: without it passenger shipping cannot survive for much longer.

IV

Unattractive Investment

It is no secret that passenger ships are not an attractive investment pro- position when compared to higher profit vessels such as bulk-ships, container vessels, tankers and liquefied petroleum gas carriers (LPGs), Add to this that the number of yards which can build passenger vessels are diminishing, and the prospects in the passenger business can be seen in better perspective. As one shipowner put it bluntly: "If it were my own money I was asked to invest, I wouldn't touch shipping, apart from the bulk trades."

A comment such as this explains why only two passenger ships fly the Australian flag. Strictly speaking, nei- ther of them can be classified as pas- senger liners as they are of the short-sea ferry type. Both are owned by the federal government's Australian Natio- nal Line.

The possibility of specialist cruise liners ever flying the Austrolian flag is remote. High operating costs plus the reetless state of local trade unions are not likely to attract private investors

to Australian flag passenger operations.

It is significant here that all of the cruise ships calling at, or temporarily based on, Australian ports are under foreign register and ownership, However it does seem that, provided new tonnage can be built, there is a future for the internationally-manned and owned cruise ship. Demand for cruises out of Australia is buoyant; the Pacific offers the best of tourist markets, and the leisure sector is growing.

The product, the cruise itself, offers "romance" to the tired urban dweller, his wife and children. As the urge to escape from the pressure of modern living grows, the "long sea voyage" holiday "away from it all" looks more and more attractive,

Sources and acknowledgements: The foregoing summarises a report by liam Olson, an Austrlian transpor cialist, in the latest issue of the *M ly Summary*, published, by the Na Bank of Australasia, 271/285, C Street, Melbourne, Victoria 3001, b Bank is responsible neither fo emphasis of my summary nor fo interspersed comments based o variety of sources.

The European movement in retrospec

Vienn

E.B. Brook

THE MOMENT when Jean Monnet, the most eminent of the small number of couragegeous men who helped reunite a shattered west Europe after the Second World War, decides to dissolve the action committee for the United States of Europe after 20 years hard work, is a suitable time to take a cool, hard look at Europe, west and east, as it is today.

For Europe, the 30 years that have passed since the war ended, have been a period without fighting — there is even now no official peace — a time during which its inhabitants never had it so good, a time when the shock of energy price increases drove them all back in on themselves so that nationalism is threatening the unity achieved and a time in which the sharp east-west divisions of the "cold war" have softened for the convenience of profit.

slow evolution

There was certainly nothing inevitable about any unity in any part of Europe when the war ended. To put it gently, common causes were hard to find at that time. The unity of west Europe since 1945, a slow evolution, was the work of a few men of vision, mostly French and German, who sought to create from wreckage fulfilment of an old European vision, a union of its peoples and nations. The first step — now almost forgotten but essentially practical — was the creation of the European Coal and Steel Community, a body which gave every government some degree of control over its neighbours' slowly resurrecting ability to make war.

From that community grew the Common Market—now taken as an essential part of the European scene but in existence only since 1958 and calling forth, at the instance of Britain, the then rival EFTA (European Free Trades Association) now a small body of fringe states anxious to make the best terms it can with the Market having been deserted by its founder, the UK, and by Denmark.

sustained growth

Led by the Market in the 'sixties the wealth of western Europe has almost tripled; its peoples have benefited from a sustained growth in economic well-being unknown on this continent before. By 1980 economic union was to have been followed by monetary union. May be that will still come on schedule — five years is a very long time in politics — but the probability as seen at this moment is that, if monetary union comes at all, it will certainly be some time after 1980.

Six years ago the European Commission, the Market's government, felt so deep anxiety about keeping to the scheduled programme of union over monetary affairs that it set up a committee of 14 experts to advise it on leading the Market towards its declared objective of monetary union. The experts have now reported: Europe is no nearer a monetary union than it was when the Commission first felt anxiety. If anything, it is farther from monetary union now than it was in 1969. "If there has been any movement", they observe, "It has been backward. National monetary and economic policies have never in 25 years been more discordant, more divergent than they are today."

Why has a Europe, still so prosperous despite inflation, unemployment and devaluations, apparently lost so much of its will to develop unity further? Partly because the original plan for carrying forward the idea of monetary union, the Werner Plan, made a huge error in supposing that it was possible to reach the target of a single west European currency (or irr able exchange rates) in ten years b means of a time table which had su for customs and economic union. T was no care taken in discovering what ditions would be needed for a mon union or what economic and poli transformations would be needed to bring monetary union about. In sh monetary union in west Europe is pro ly to be delayed if not frustrated by s bad, inadequate staff work and com cent political thinking at the peak of Market's well-being.

severe criticism

It may be no bad thing for the Ma that this severe criticism has been m by its own appointed experts, headed former vice-president of the Commiss It has had criticisms in plenty during bargaining over new terms for Brit from the West Germans over farm pri from the USA over alleged protection and from industrially developing count over alleged meanness over trading op tunities. Not all criticisms are fully served but it is well that these various satisfactions and the revelation of disu within the Market ruthlessly revealed n ly two years ago by the oil crisis have solved the euphoria of success that le carelessness and traces of disdain. N ther are characteristics that can be tol ted by a successful economic organisat either in government or business.

The Brussels Commission has he itself described in the British Parliam as "overlarge, over bureaucratic, o staffed and over-expensive", accused its own expert committee of acting "na ly", in framing policy for monetary uni Even from Moscow has come accusat of leading "a crusade against the v

ts of the people and, especially, of working people."

le wonder that the Belgian prime ter, Mr Tindemans, chosen by the et a year ago to give the concept uropean union a realistic political pt in current circumstances, has red that the 1980 goal is impossible. 'indemans, a highly practical politi- and a convinced federalist, was given nandate at the Paris summit last mber. "The way to go on", he re- s" is to fix the target and then to h the way to reach it, and for this a s of steps are necessary. We shall n monetary union in five, ten, maybe ty years: I don't know." As a Bel- , ruling a nation where group interests n often and sharply, Mr Tindemans vs that what brings Europe and all , forward, is self-interest, enlightened ossible, and that if the European na- s remain convinced the Market bene- them it will prosper and if they cease e convinced of that, the Market will ner.

owing eastern trade

Meanwhile, the other side of Europe, and supported by the Soviet Union, doing very well. Last year the Soviet ion's foreign trade expanded by 26 cent to 39.6 billion roubles. Trade h industrial western countries expanded 49 per cent to 12.4 billion roubles. The owth in trade with the west is due in rt to price inflation and, in part, to int- sified bilateral commercial relations th most west European countries. A mber of major long-term compensation als were put through and the actual lume of deliveries increased significan- . With western Europe, Soviet trade ex- nded last year by 68 per cent to 9.6 bil- on roubles.

This growing trade, the high prices it arges for oil and gas to west European stomers and the greatly enhanced value f its gold reserves have resulted in a re- arkable change in the USSR's trade alance. From being in deficit to west urope in 1973 by $1.2 billion the USSR ad, at the end of 1974, a surplus of $285 illion. This is the beginning of a striking rowth pattern for Soviet earnings in ard currency. Soviet debt service to xports has dropped from 17 per cent to 4 per cent and is likely to decline fur- her. If this trend continued Soviet bility to buy in west Europe will go up by 25 to 30 per cent a year. The significance of this as the Market slowly bargains with east Europe will be considerable especially as its wealthist member, west Germany, is now west Europe's easily first trader with the socialist east.

How old is Mr P.N. Hak-sar? I am asking this because he seems to think that 71 (which incidentally is the age of Mr J.R.D. Tata) could spell "decaying old men." Mr Haksar, I am reliably informed, was 62 last birthday. This, surely, is not the prime of life, even after allowing for the fact that the average expectation of life of the Indian people has advanced considerably over the past 30 or 35 years. In fact, 63 come next birthday could reasonably be said to be well past the prime. I wonder whether Mr Haksar would be able to persuade even an obliging LIC to think otherwise.

Mr Haksar of course could argue that the years sit lightly on some and not so lightly on others. He believes, evidently, that he himself is 62 years young, but then this might well be a subjective assessment. In any case, it is on record that he is a superannuated government official.

A lot of people wonder why Mr Haksar chose to be so uncharacteristically churlish in some of his obvious references to Mr J.R.D. Tata when he took it upon himself to dispute the latter's proposition that the functioning and the future of the mixed economy had been gravely imperilled by political attitudes and government policies.

I personally am all for people not pulling their verbal punches in public debate. There is, as it is, too much of mealy-mouthed deference in the expression of disagreement with or disapproval of one another's views. There is at least a fair chance that there could be more honesty on public or semi-public platforms or occasions if people would call a spade a bloody shovel whenever they feel like it. Perhaps Mr Haksar has started what could be a healthy trend and I for one am ready to indulge in pleasurable anticipation of some of our business leaders sooner or later taking it into their heads to tell this political panjandrum or that what they think of him (or her).

Meanwhile one could speculate, if only for one's own amusement, about what it was in Mr J.R.D. Tata's speech that might have provoked Mr Haksar to reach for the nearest can of war paint. Let me hazard a few guesses for what they are worth. At one place in his speech to the recent annual session of the Associated Chambers of Commerce and Industry, Mr Tata quoted himself as having said on an earlier occasion that "if tax evasion, black marketing and corruption are rampant today, the major responsibility lies with government's misconceived economic policies as a result of which the masses of the people have become poorer, crooks have enriched themselves and the country flounders from one crisis to another to extricate itself from which it has to beg year after year for foreign aid." He went on to ask whether the ruling party had not condoned economic misdeeds and corruption by openly collecting illegal contributions, mostly in black money, for its election funds.

At another place in his speech Mr Tata had contended that, although government spokesmen always assured us that ideology played no part in their economic policies, the evidence to the contrary was overwhelming. He argued that "the spate of nationalisations on confiscatory terms; the continuous flow of legislation, enactments, ordinances, regulations, directives and controls which have progressively vested in government economic powers so vast and so comprehensive as to be unknown in any other democratic country and surpassed only in totalitarian states; the succession of constitutional amendments which have deprived the people of some of their fundamental rights; the accession to critically important positions in government of a number of persons of strong Marxist persuasion, most of whom had been members of the communist party; the widespread use of typically communist jargon such as the dubbing all larger houses as "Monopoly House and their outright condemnation althou the Dutt committee had categorica exonerated the majority of them from a blame; and, finally, the repeated pub declarations that socialism, not a welfa state, was government's goal, all the bear clear testimony to the ideologic inspiration of the ruling party's econom policies."

To cap it all, Mr Tata committed t unforgivable sin of asserting that the r had set in essentially after the time Jawaharlal Nehru. Could I be wrong assuming that it is these observations Mr Tata's speech which made Mr Haks see red? Could it be possible that, as o who was reportedly masterminding or least effectively counselling on M Gandhi's political strategies and economi policies during a crucial period of h prime ministership, Mr Haksar found tha some of Mr Tata's allegations or insinua tions were too close for comfort? Tha Mr Tata's speech or parts of it did get u der Mr Haksar's skin seems, in any case to be beyond dispute.

Within twenty-four hour after the conclusion of the 48th an nual session of the Federation of India Chambers of Commerce and Industry Mr K.K. Birla, who had just relinquishe the office of president of that organization was busy preparing to take off on impor tant business visits, first to Malaysia an from there to the United Kingdom. Thi was every bit characteristic of the man Right through a strenuous year he gave o himself unreservedly both to the affair of the FICCI and the demands of his many business enterprises. Although he neve let the one suffer for the sake of the other, it was apparent that, in all of the pas twelve months, he was unreservedly keen on contributing of his best to further the ideals and purposes of the FICCI as an institution actively involved at the micro level as well as on the macro plane in the problems and issues that attend on the course or progress of the nation's industry and trade. Mr Birla travelled extensively to acquaint himself with the needs and expectations of individual industries or trades or the problems of various business or commercial centres and he showed a most worthwhile capacity for relating these local factors to the larger dimensions of the national economy.

An outstanding feature of his stewardship of the affairs of the FICCI was the contribution he made to the furthering of the trend towards a regular dialogue between the business community and the

MOVING FINGER

overnment. He eschewed the language of onfrontation completely and, on occasions, went perhaps a little farther than e needed to in renouncing criticism as means of influencing government policy n the right direction. He, however, never ook his eyes off the main chance and never et go an opportunity of employing peruasion for making the government realize hat the business community had a point of view worth listening to. Although he ad to cope with quite a few distractions, specially from the middle of 1974, Mr Birla utilized much of his time, thought nd energy in recent months on shaping he FICCI's views on policies for combatng recession and on relentlessly impressng his views on the councils of the government. In his presidential address, again, he left no one in doubt that he considered a reflationary programme, carefully planned and executed, to be of the greatest relevance to the stabilization of the price evel and the recovery and expansion of employment, production and investment.

Mr H. C. Mahindra, who has taken over from Mr K.K. Birla as president of the FICCI, and Mr M.V. Arunachalam, the new vice-president, though well known in the business world, may claim to be definitely in the prime of life. This should impress Mr Haksar, I believe. Mr Mahindra, who is in his early fifties, may be expected to persevere with the current process of constructive exchange of views and ideas between the business community and the government, while Mr Arunachalam who is still on the right side of fifty and who has been chosen also as the vice-president of the economic and scientific research foundation attached to the FICCI, seems to be full of enthusiasm for organizing studies in depth of the various problems or issues of industrial growth on which the business community or its representative organizations should be able to speak with adequate information and knowledge.

One of the first official or semi-official acts of the new president of the FICCI was to host a dinner on April 28 to a visting official trade delegation from Indonesia. Incidentally, while the government desires that the FICCI should make this gesture of hospitality to trade delegations from other countries (which FICCI is of course always most willing to do), it is somewhat intriguing that the government has not so far called upon it to play host at social functions to the various official trade delegations which Pakistan has recently been sending to this country. As Mr Mahindra pointed out at the dinner to the Indonesians, nothing could better serve the cause of economic and business cooperation between countries than their peoples coming together as much as possible and as often as possible and discussing matters of common interest.

Mr Mahindra suggested that, given India's growing capacity for and interest in participating in the industrialization of neighbouring Asian countries, and Indonesia's programme for gearing its oil wealth to its economic development projects, there was great scope for an increase of trade between the two countries as well as for the setting up of joint ventures. Right now Malaysia is the country which is most favoured in the south-east Asian region by Indian entrepreneurs embarking on joint ventures. It seems likely, however, that in the coming years Indonesia may become increasingly attractive as a host country for joint ventures with Indian collaboration. Mr Mahindra suggested that this was an opportune time for the setting up of an Indo-Indonesian chamber for the promotion of trade and industrial cooperation. He also thought it a good augury that the first state visit planned for the present president of India would be taking him to Jakarta shortly.

About Mr Fakhruddin Ali Ahmed's impending journey to Indonesia there is a story to be told. Initially it was proposed that both PTI and UNI should be given representation in the party of journalists accompanying the president. The question however was raised whether it was necessary for both the Wire Services to be so accommodated. The argument was that one of the two places should go to a Features agency. I do not know whether this contention has been accepted as a matter of principle, but it so happens that the UNI has been dropped. Instead, INFA has made the grade. Mr Inder Gujral no doubt has had something to do with this, but there is also a rumour in journalist circles that the president's domestic household took a hand in rearranging things. The president's wife certainly seems to be taking an interest in the affairs of Rashtrapati Bhavan to an extent not limited simply to good housekeeping.

Mr Inder Malhotra, pre-sently with *The Times of India*, is one of those working journalists to whom life has been kind on the whole. For instance, he could claim to count among his blessings the privilege of back-slapping familiarity with a certain know-all in New Delhi whom he describes as his DEL(PH)I(C) oracle. I may concede readily that this at once places Mr Malhotra, even if he has to commute between Bombay and New Delhi, at an advantage *vis-a-vis* less fortunate local journalists roaming the whispering galleries of the capital twenty-four hours of the day, all the seven days of the week.

Recently Mr Malhotra, we find from his 'Middle' in *The Times of India* of April 30, was in Delhi hobnobbing with his oracle. Unfortunately, instead of seeking revelations about the future which is what one is normally expected to do when one has the opportunity of a *tete a tete* with an oracle, Mr Malhotra chose to discuss the weather and the inequity of Delhiwalas, who indulged in airconditioning, while worthier people had to sweat it out at *The Times of India* office in Bombay where, apparently, there is not even any electricity to work the fans. This no doubt does credit to Mr Malhotra's social conscience but, I am afraid, it does not speak very highly of his nose for news. Mr Malhotra's oracle, as he himself tells us on the basis of his past experience, is supposed to know all that is to be known about what is happening to whom in New Delhi.

If only Mr Malhotra had been less obsessed with the venality of the selfish denizens of the capital, he would perhaps have asked his oracle about Mr T.A. Pai rather than waste his time trying to make Delhiwallas feel guilty about their airconditioning. I am mentioning Mr Pai because the rumour mills are busy grinding out gossip about a possible change in Mr Pai's portfolio. Since I myself do not have access to any DEL(PH)I(C) oracle, I have no means of verifying whether it is true that Syed Mir Qasim, the former chief minister of Jammu and Kashmir, would be taking over Industry.

Elections or other politi-cal campaigns are dirty business anywhere. From the United Kingdom, where a referendum is scheduled to be held on Britain's membership of the European Economic Community, comes this sample of how low propaganda could stoop to:

> IN GRATEFUL MEMORY OF
>
> VIDKUN
> QUISLING
>
> *who placed belief in a United Europe above narrow nationalism, but whose shining example has not been followed by his present-day compatriots*
>
> YES-MEN FOR EUROPE

This is the text of an advertisement placed in *The Tribune* by the anti-Market side accusing those who are in favour of Britain remaining in the EEC of being quislings.

TRADE WINDS

Dividend Restriction Act Amended

As indicated by the Finance minister in his budget speech, a Bill was introduced in the Lok Sabha on May 5 to amend The Companies (Temporary Restrictions on Dividends) Act, 1974.

The Companies (Temporary Restrictions Dividends) Act, 1974 prohibits the declaration of dividends and payment thereof in excess of the distributable profits which have been stipulated in the Act as:

(a) 33-1/3 per cent of the net profit after tax;

or

(b) an amount required to pay 12 per cent dividend on the face value of the equity share of the company and dividend payable on its preference shares;

whichever is less.

The Amendment Bill when enacted, will enable the companies to declare dividends out of the net profits after tax for the financial year, in excess of its distributable profits. The payment of dividends shall, however, continue to be restricted to the extent of distributable profits as stipulated in the said Act. The difference between the dividends declared and dividends payable viz. the "deferred dividends" will be payable in two annual instalments, without, interest, on the expiry of the present Act, which is due to expire in July, 1976.

The amendment, when enacted, shall be effective from March 1, 1975.

A provision has also been made in the Bill that income-tax due on the deferred dividend shall be payable by the assessee within 35 days from the date on which such instalment becomes due and payable to the assessee; or the dividend warrant in respect of such instalment is transferred to any person whichever is earlier. No interest shall be chargeable under the Income Tax Act in respect of tax payable on the deferred dividends for that period. This will remove the hardship to the investors for the payment of tax on the deferred dividend.

Prices during 1974-75

The index of wholesale prices (base: 1961-62=100) for 1974-75, for which figures have been received recently, reveals an enormous increase of 23.3 per cent over the previous year. In fact 1973-74 was considered to be a year of sharp price increase as the index had gone up by 22.6 per cent over the year 1972-73. The average index of wholesale prices for the financial year 1974-75 works out to 315.3 as against an average of 254.8 for 1973-74 and 207.1 for 1972-73. In other words, within a period of 24 months a rise in prices of nearly 50 per cent was recorded.

Almost all the constituents of the index of wholesale prices have contributed to this rise. The prices of food articles advanced by 23 per cent during 1974-75, nearly equal to the rise during the previous year. The prices of manufactures increased by 23.6 per cent, considerably higher than the previous year's rise of 16.3 per cent. The rise in the case of industrial raw materials was comparatively modest at 9.3 per cent. This rise has followed a big jump of 46.6 per cent during 1973-74.

It is significant to note that the trend of prices during the last three months has taken a rather hopeful turn. The latest available wholesale price index recorded a marginal fall of 0.1 per cent to 306 during the week ended April 5, 1975 over the previous week. It may be observed that the index has dropped during the last three months from 315.5 on January 4, 1975 to 306 on April 5, 1975. A significant drop has been in the prices of food articles where the index came down from 368.2 to 355.3 during the period. The decline was observed in other sections too such as industrial raw materials where it came down from ... industrial manufactures have, on the other hand, risen during these months from 253.7 to 294.7.

Export Duty on Hessian Abolished

The export duty on jute carpet -backing, both primary and secondary, has been abolished with effect from May 3. This has been done in order to improve the competitive position of jute carpet-backing *vis-a-vis* synthetic substitutes in the international markets, especially the USA. The export duties, where leviable, on other categories of jute manufactures remain unchanged,

Indo-Pakistan Trade

During their 10-day visit to India, the Pakistan trade delegation saw prospects of trade with India in certain areas. The items in which Pakistan have expressed interest include iron and steel products, engineering goods including railway track materials, coke and coal and bidi leaves. This was conveyed to the union Commerce minister, Prof. D. P. Chattopadhyaya by the leader of the visiting Pakistan delegation, Mr. Izharul Haque, chairman, Trading Corporation of Pakistan, when the latter called on the minister, recently. The leader of the Indian delegation, Mr Vinod Parekh, chairman

Eastern Economist 30 Years Ago

MAY 11, 1945

In a leading article of its issue of March 10, 1945, the *Statist* warns its readers against socialism, which it characterises as tribalism. While we support its stand for private enterprise, not because it is, as the journal puts it, 6,000 or 8,000 years old, but on its own merits, it does strike as rather vulgar propaganda for a scientific journal to condemn socialism as tribalism. England is in war-time a socialist state. The Emergency Powers Act confers upon the King in Council full power of control over labour and capital, but does that mean that England has reverted to Celtic organisation? And then, is Soviet Russia a tribal state? Could Russian tribalism ever face Prussian militariam? It is true that the ancient tribes hae a communistic organization of a very primitive type. But modern socialism is vastly different. The tremendous evolution in the sphere of politics and economics places modern social organizatons in a vastly different logical category from the ancient social patterns. Such a comparison, as between socialism and tribalism, has no logical validity whether we advocate socialism or capitalism, it should be done on its own merits and not by historical analogies of doubtful scientific value.

te Trading Corporation, s present during the talks.

Welcoming the Pakistan de- gation, Prof. Chattopadh- ya said that one of the ain planks of India's econo- c policy was closer trade lations with our immediate ighbours. He pointed out at there was great prospects boosting Indo-Pakistan ade as the two countries were close to each other and ere free from the vagaries of ipping. This geographical oximity could be a big pillar the economie relationship etween India and Pakistan, e added.

Large Houses in Ready-made Garments

Five companies belonging to large houses are at present manufacturing ready-made arments. Applications of a ew other companies belong- ng to large houses including oreign controlled companies re at different stages of pro- essing. This information was iven by Mr Vishwanath Pratap Singh, union deputy minis- er of Commerce recently. The deputy minister stated hat these belonged to Ray- mond Woollen Mills, Binny Group, Tata Group, Mafatlal Group and Calico Group with investment on import worth Rs 15.52 lakhs, Rs 12 lakhs, Rs 11.63 lakhs, Rs 11.60 lakhs and 5.36 lakhs respectively. He added that most of the existing garment units did have the experience in the clothing manufacture and al- lied textile business. The new entrants to the field would have their expertise and were being considered for licensing on the basis of substantial ex- port obligation.

Sale of Units

The Unit Trust of India had maximum sales of its units during 1973-74 (July-June) in the entire decade of the Trust's operations. The sales touched a record Rs 30.31 crores as compared to Rs 23.04 crores in 1972-73, a rise of 32 per cent. The number of applications for sale of Units were also substantially higher during 1973-74, 100,168 as against 82,170 during the previous year. According to the Annual Report of the ministry of Finance (Department of Economic Affairs) for 1974-75, the increase in the rate of dividend from 8.25 per cent for 1971-72 to 8.50 per cent for 1972-73 improved the attractiveness of the Units.

Advances to Priority Sector

The advances of public sector banks to agriculture and other priority sectors have gone up from Rs 1,295.48 crores in June, 1973, to Rs 1,688.31 crores in June, 1974, according to the annual report of the ministry of Finance for 1974-75. The comparative figure for June, 1969, was Rs 440.96 crores. The outstanding advances of public sector banks to the priority sectors constituted about 26 per cent of their total advances at the end of June, 1974, compared to 14.9 per cent at the end of June, 1969, according to the report.

The total number of borrowal accounts in June, 1974, was 2,616,623. Of these, the agricultural sector accounted for 1,838.778 borrowal accounts. The aggregate deposits (excluding inter-bank transactions) amounted to Rs 11,440 crores by the end of December, 1974, compared to Rs 4,669 crores in July, 1969. The deposits of public sector banks increased from Rs 3,885 crores to Rs 9,632 crores during this period.

Aid for Less Developed Areas

The Industrial Finance Corporation of India announced recently loans worth Rs 3.24 crores for eight companies in four different states. The assistance includes Rs 7.11 lakhs in German DM. All the companies are located in notified less developed districts and the industrially underdeveloped state of Kerala. Of these, six are public limited companies, one is a state government enterprise and another a joint sector project.

The companies assisted include three new textile mills to be set up at St. Joze De Areal Nessai Curtorium (Goa), Hoshiarpur (Punjab) and Hunsur taluka (Karnataka). The spinning mill in Goa with a complement of 25,228 spindles will manufacture carded and combed yarn ranging from 34s to 70s. The Hoshiarpur unit will have an installed capacity of 25,000 spindles and the one at Hunsur taluka (Karnataka), will have 12,376 spindles in the first stage.

The assistance for units in Kerala includes mauufacture of brushless alternators for railway coaches at Kundra, setting up of a plant for producing ready mixed cattlefeed at Irinjalakuda and import of certain balancing equipment for the zinc smelter at Alwaye.

Financial assistance for companies in Karnataka envisages setting up of a plant for the manufacture of Bakers' Yeast and Fodder Yeast at Pelagela industrial area and an expansion project for an increase in the power boilers manufacturing capacity at Shahbad district Gulbarga.

More Telephone Lines

The union minister of Communications, Dr S. D. Sharma, told the Consultative Committee of MPs of his ministry recently that spare capacity available in telephone exchanges in the country would be fully utilised and about 100,000 new connections would be possible. Already this process has begun. He complimented those general managers who had achieved this. Dr Sharma said the cost and availability of automatic exchanges was proving a bottleneck in the way of providing new connections. It is, therefore, proposed to instal manual exchanges of 100 to 1000-line capacity instead of going in for automatic exchanges. This year, he hoped, that 50,000 manual lines would be added. The minister informed the committee that a team is working on for providing STD between London and Bombay. He expected this facility to be introduced shortly.

Commonwealth Meet

Prime minister Indira Gandhi recently urged her Commonwealth colleagues to address themselves to the issues of economic inequality and generate "momentum for conserted action" in the same way as they had found a common denominator of political commitment to forge racial equality. Mrs Gandhi was among the prime ministers who made a general statements after the prime minister of the host country Mr Michael Manley

of Jamaica, had welcomed them. In all 33 prime ministers and heads of states, representing about a third of the world's population, attended the Kingston session of the Commonwealth Prime Ministers. This is the first, meeting of the Commonwealth to be held in a caribbean capital. Mrs Gandhi said, "With all its diversity, the Commonwealth is in a position to promote understanding of problems of widening disparities and initiate measures to reduce them".

Cement Against Exchange

The union government had introduced on February 14, 1975, a scheme for priority allotment of cement against inward remittances of foreign exchange. The scheme was applicable only to remittances received after February 15, 1975.

It has now been decided that inward remittances made within three months prior to February 15 will also qualify for benefit under the said scheme. Other conditions of the scheme remain unchanged.

Engineers India

Engineers India Limited—a public sector consultancy and engineering organisation made a profit of Rs 44.16 lakhs in 1973-74 as compared to Rs 26.85 lakhs in the previous year. The annual turnover of the undertaking increased to Rs 5.27 crores as against Rs 4.09 crores in the preceding year according to the annual report of the ministry of Peroleum and Chemicals. Besides providing engineering and consultancy services within the country in the fields of petroleum, petrochemicals and fertilisers, the EIL made a big headway in international operations. EIL did designing work of the Tabris Refinery in Tehran for Snam Progeti Ltd. It has also signed agreements with two Iraqi companies—State Consultancy Company and the State Organisation of Industrial Design & Construction—for engineering, designing and construction of projects in the field of petroleum refining, petrochemicals, fertilisers and pipelines etc. EIL's consultancy service has also been contracted by Homs Refinery in Syria for maintenance and inspection of equipment.

Sugar Output

According to the Indian Sugar Mills Association the sugar production in the month of March, 1975, the sixth month of the season 1974-75 was about 8,90,000 tonnes as against 6,70,000 tonnes during the corresponding period last season. This brings the total production during the first six months of the season 1974-75 to about 38,82,000 tonnes as against 31,79,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of March, 1975, was about 274,000 tonnes for internal consumption and 98,000 tonnes for exports as against about 314,000 tonnes for internal consumption during the corresponding period last season. There was no off-take for exports during March, 1974. The total despatches in the first six months in 1974-75 was 16,34,000 tonnes for internal consumption and 427,000 tonnes for export as against 1,832,000 tonnes for internal consumption and 150,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories on March 31. 1975, was about 2,651,000 tonnes as against about 2,042,000 tonnes on the same date last season.

New Well at Bombay High

Sagar Samrat, the mobile drillship engaged in off shore exploration. has been jacked up at the fifth location in the Bombay High structure to start drilling operations. The fifth well to be drilled is about 40 kms south of the fourth well and is intended to explore the southern extent of the Bombay High structure.

The four wells so far drilled on the structure have all proved to be oil bearing. Oil there has been found accumulated in limestone horizons. Production test results of fourth well has given positive evidence of commercial accumulation of oil. The Oil & Natural Gas Commission is setting up an intermediate stage of production during 1976-77 to produce oil from this area at the rate of about one million tonnes per annum i.e. about 20,000 barrels per day.

Tariff Value of Sugar

The union government has decided not to make any change in the Tariff value for free sale sugar. The existing tariff value of Rs 310 per quintal would continue to operate.

Supply of Furnace Oil

The union government has decided to relax from May 1, 1975 the existing restrictions on supply of furnace oil to consumers. The government's decision follows encouraging results obtained from measures adopted to contain furnace oil consumption. The consumption of furnace oil during 1974-75 was 4.2 million tonnes as against 4.4 million tonnes during the previous year, This marked 4.7 per cent reduction in cousumption as against the average nine per cent growth rate in the past. The strategy employed to contain consumption involved restructing of allocation priorities, maximisation of fuel efficiency techniques , and practices and switchover from furnace oil to coal wherever feasible.

Petroleum and Chemicals ministry has now instructed oil companies to supply furnace oil to existing consumers according to their requirements without any quota limitations. The companies would also make supplies to new consumers who have installed plant and machinery and are ready to start production. The new consumers would get supplies on merits upto a period of three months within which they would be required to formally apply to their sponso authority and obtain clear for regular supply from standing committee on nace oil.

New Medical Institu

The National Institute Ayurvedic Research woul established at Jaipur in of the good work that being done in Rajasthar this direction, Dr K Singh, union minister Health and Family Plann told the consultative c mittee of members of pa ment recently. The He minister said that six sepa councils for Indian system medicine with associa national institutes would set up in the current finan year.

Names in the News

Mr Parks Chrestman ma ging director, Goody India Limited has been nam chairman of the Automot Tyre Manufacturers' Assoc tion for the year 1975-76.

Two chairmen of natio lised banks have been allow to retire, while four have be given extension. **Mr D. Taneja (Central Bank) and V. D. Thakkar (Bank Baroda)** have been retired. Thakkar has been replaced **Mr R. P. Shah. Mr P. Gutta** has been appoint chairman of the Central Ban His post in the Union Ba has been taken over by **Raghu Rai. Mr K. K. P (Syndicate Bank)** has be given extension till March 3 1976: **Mr Lakshminarayan (Indian, Bank)** till March 3 1975; **Mr V. R. Desai (Unit Commercial Bank)** till Marc 31, 1978 and Mr Gutta t April 30, 1979. The offici annouucement on the appoin ments said that the Reser Bank had been consulted the matter.

The Governor of Reser Bank, **Mr S. Jagannathan** being appointed India's nom nee to the board of directo of International Moneta Fund. Mr Jagannathan expected to be succeeded retiring Cabinet Secretary M **B. D. Pande**.

COMPANY AFFAIRS

Modest Recovery

THE STOCK market which remained depressed for the major part of the last week, took a turn for the better towards the week end. Shares declined in early dealings due to lack of incentives as also due to the delay in the presentation of the amendment to the dividend act. The market recovered swiftly towards the close of the week following the announcement of tax concessions to the tune of Rs 33 crores, which made the investors to think that a production-oriented policy would be pursued by the government along with anti-inflationary and anti-recessionary measures. The volume of business was fair.

The market closed with a steadier trend pinning hopes on the modification of the dividend limitation act. Another favourable development during the week was the raising of the ceiling of interest on income from Rs 400 to Rs 1000 subject to deduction of tax at the source. The small investors in fixed deposits with companies welcomed this move. The flow of funds to fixed deposits is expected to be well maintained until the funds are diverted following the creation of a better atmosphere in the capital market.

Philips

Philips India Ltd has maintained its magnificent record of uninterrupted growth in sales and profits during 1974. Its sales at Rs 615.6 million outstripped its previous year's performance by as much as Rs 111.3 million while the profit before tax after providing for depreciation at Rs 115.0 million exceeded the preceding year's figure by Rs 23.3 million. Higher export and increases in prices, arising out of increased costs, mainly account for the handsome rise in sales in 1974. The directors have provided a sum of Rs 77.0 million for taxation as against Rs 59.0 million in 1973 while an amount of Rs 17.5 million was charged to depreciation as against Rs 15.6 million in the earlier year.

The profit after tax, still substantially higher at Rs 38.0 million as compared to Rs 32.7 million in 1973. Out of the net profit, a sum of Rs 2.5 million was allocated to development rebate reserve as against Rs 1.5 million in 1973 while the appropriation to debenture redemption reserve was maintained at Rs 1 million. After certain write backs and other adjustments a sum of Rs 37.1 million has been transferred to the general reserve. The directors have recommended a dividend of 9.5 per cent on the increased share capital of Rs 135.8 million. The annual general meeting will be held on June 19. The register of members will be closed from June 4 to 19. both days inclusive.

Ashok Leyland

During the six months ended March 1975, Ashok Leyland has been able to maintain production and sales more or less at the same level as in the corresponding period October 1973 to March 1974. This is a creditable achievement if one takes into account the fact that the power cut has increased from 40 per cent to 60 per cent and now to 75 per cent and as a result 26 days' production have been lost. The power problem is extremely acute and is not likely to improve during the next three months. The company is vigorously pursuing its efforts to borrow power from the neighbouring states. An agreement has already been signed between a neighbouring state and Tnmil Nadu for transfer of seven lakhs units of electricity for the additional production of 200 chassis. A similar arrangement is likely to materialise by mid-May with another state which will help increase production by by further 300 chassis. The Tamil Nadu government is giving full support. If the monsoon sets in early or at least on schedule, the company is confident of establishing a new record with production of over 7000 Comets this year.

Modi Rubber

Mr Fakhruddin Ali Ahmed, the President of India, formally inaugurated on April 26, the new Modi Rubber tyre and tube plant at Modipuram. Modi Rubber Ltd, is yet another venture of Modi Enterprises. It has been set up in collaboration with Messrs Continental Gummi-Werke AG, Hannover, the largest manufacturers of rubber products in West Germany with more than 100 years of research and manufacturing experience in the field of automotive tyres and other rubber products. Set up in a record time of two years, Modi Rubber Ltd. has a licenced capacity of 400,000 units annually. It has been designed to process 16,000 tons of rubber compound into tyres and tubes per annum and is already producing 800 tyres a day. Once the Plant achieves it full rated capacity, it will be possible to produce five lakh tyres and tubes each year. Keeping in view the acute shortage of truck, bus and tractor tyres, 70 per cent of the company's production will consist of these categories. The company will also be manufacturing tyres for light trucks, jeeps, passenger cars and animal driven vehicles.

Larsen and Toubro

A new concept of cargo handling on board ships comes to India with the projected fitting of deck cranes on a Mogul Line ship. A subsidiary of the Shipping Corporation of India, the Mogul Line has ordered two electro-hydraulic single deck cranes from O & K Orenstein & Koppel AG of West Germany, represented in India by Larsen & Toubro Limited. Each of the cranes has a capacity for lifting 16 tonnes with a maximum outreach of 19 metres. These cranes operate in conjunction with a motorised grab for handling multi-purpose bulk cargo. Hitherto, most of the ships were equipped with conventional cargo handling gear like winches and capstans.

Handling cargo with deck cranes is a new concept with recognised potential for faster and smoother operations. The resulting quicker turnaround of ships holds the economic justification for the switch over from conventional cargo handling gear. O & K is renowned for its specialised mining epuipment and dredger and floating cranes. It has been quick to perfect the deck crane technology which is increasingly being adopted in Europe over the last few years. O & K also manufactures twin deck cranes, both all-electric and electro-hydraulic types, under the trade name of "Gemini" cranes.

Baroda Rayon

Baroda Rayon Corporation had reported striking improvements in its working results during the year ended December 31, 1974. Its turnover during the year rose spectacularly to Rs 18.89 crores from Rs 9.68 crores in 1973 while gross profit likewise recorded a marked rise to Rs 3.96 crores from Rs 2.23 crores in 1973. The directors have declared dividends at the rate of Rs 26.25 (includ-

ing Rs 16.75 towards arrears) for preference share and Rs 4.80 per equity share. The sharp rise in turnover and profit during the year was due to the fact that the company's activities have increased considerably with the commissioning of the nylon plant. The rayon yarn sales during the year amounted to Rs 11.39 crores as against Rs 9.68 crores in the previous year whereas those of nylon yarn amounted to Rs 7.50 crores. Similarly out of the gross profit of Rs 3.96 crores, Rs 3.20 crores was contributed by the rayon division while the balance of Rs 0.76 crore was from the nylon division. The rayon plant worked during the year at a lower average denier resulting in a nominal fall in the absolute tonnage of production. The nylon plant worked only at 45 per cent of the rated capacity of 1800 tonnes per year owing to the acute shortage of caprolactum. The plant is expected to run at a capacity of 60 to 70 per cent this year.

Conditional clearance

The nylon tyre cord project for the manufacture of 2000 tonnes of cord has been receiving immediate attention of the board of directors. The collaboration agreement with Messrs, Unitika Ltd of Japan has been taken on record by the government of India. The government has communicated to the company its intention to clear the project under MRTP Act on certain conditions which have been accepted by the company. The Government of India has cleared the foreign exchange equivalent to Rs 240 lakhs for the import of plant and machichinery. Steps are also being taken to convert the letter of intent into an industrial licence. It is expected that the project will take a concrete shape before the end of this year.

It is proposed to finance this project from internal resources and borrowings from the financial institutions. The company also proposes to issue preference shares. The company may raise the equity if insisted upon by the financial institutions. The implementation of Rs 40 crores rayon grade pulp project proposed to be set up in Madhya Pradesh is making steady progress. The company has received the letter of intent for increasing the nylon filament yarn capacity from 1800 tonnes to 2100 tonnes per annum.

It is intended not to raise any equity or preference capital for implementation of the scheme. The collophane project is also receiving the attention of the directors and capital goods application is awaiting government clearance.

Blue Star

Blue Star Limited has been awarded the Engineering Export Promotion Council's Certificate of Merit for outstanding export performance during 1973-74. This is the fourth time in five years that Blue Star has earned this coveted honour. In 1973, Blue Star booked orders worth Rs 21.78 lakhs and in 1974, orders worth Rs 29.43 lakhs for water coolers, bottle coolers, deep freezers and spares. The bulk of these orders have come from Kuwait, Qatar, Nigeria, Singapore, Dubai, Sierra Leone, Gambia, Muscat and Zambia. Blue Star's Export Division, had a record year with total exports rising sharply from Rs 12.52 lakh in 1973 to 31.90 lakhs in 1974—an increase of 155 per cent.

A pioneer in the export of non-traditional items such as water coolers, bottle coolers, deepfreezers and other air conditioning and refrigeration equipment, Blue Star embarked on a determined export drive as far back as 1957. The fact that it achieved success in the teeth of competition from goods made in the USA, Japan and Europe speaks highly of the quality of Blue Star products. Refrigeration equipment is not all that Blue Star exports today. Water coolers are now being manufactured in Kuwait under licence from Blue Star. The firm has also secured large turn-key contracts for the design, supply and installation of central air conditioning plants in Mauritius and Muscat,

Bayer

Bayer (India) Ltd has reported impressive improvement in its performance during 1974. Sales climbed to a new peak of Rs. 21.30 crores during 1974 from Rs. 15.78 crores in the previous year. The net profit was also substantially higher at Rs 1.54 crores as compared to Rs. 1.11 crores in 1973. Although the pre-tax profit recorded an improvement of 50 per cent over the preceding year, the rate of rise in net profit was lower because of the considerable increase in tax liability to Rs 3.12 crores from Rs 1.98 crores in 1973. The direetors have recommended a dividend of 12 per cent for 1974 and it will be paid out of the general reserve. About 6.3 per cent of the dividend amount will be free of income-tax in the hands of the shareholders.

The striking improvement in working results has been shared by all the three divisions of the company. Sales of pesticides division registered a marked increase over last year. In fact its sales growth was unique in the country's pesticides industry, The rate of growth in sales of the rubber division recorded an encouraging rise over last year. An industrial licence as well as the CG licence has been received for expansion of its rubber chemicals to a capacity of 6665 tons. Work on the second stage expansion of its basic pesticides production project is in progress and is expected to go into production before the end of this year. A letter of intent has also been received for trebling the capacity of Chloroquine Phosphate to 36 tons.

Escalation in prices

The turnover of the pharmaceutical division registered a significant increase of 26 per cent. However. the division, as in the past, had to face a continuous escalation in the prices of raw and packing materials while the selling prices remained uuchanged. Early this year the government approved an increase in the prices of a number [of pro]ducts. The encouragin[g] set for export of pharm[aceuti]cals has been well mai[ntained] during the year under [review].

The exports went up [from] Rs. 7.50 lakhs in 1972 [to Rs.] 17.10 lakhs in 1973 and [further] to Rs. 35.79 lakhs in 197[4. The] company exported basic [drugs] as well as certain formul[ations] to Indonesia, Turkey, Th[ailand,] Sri Lanka, Singapore [and] Malyasia. All in all 19[74 was] yet another successful ye[ar for] the company and it is [hoped] that this favourable tren[d will] gather further momentu[m in] the coming years. These [were] highlighted by the chai[rman] Mr B.M. Ghia while ad[dres]sing the annual general [meet]ing of the company,

News and Notes

Dena Bank Ltd is t[hink]ing of merging with [Straw] Products. The LIC, on[e of] the major shareholders, [has] approved the terms of m[erger] and a final confirmation [from] Straw Products is awa[ited.] The term of the merger w[ill be] made known to shareho[lders] at the annual general me[eting] of the banking company t[o be] held in Bombay towards [the] end of this month.

A new pesticides form[ulat]ing plant at Taloja, Mahar[ash]tra, set up by **Agrimas Ch[emi]cals** has gone into pro[duc]tion recently. Besides [meeting] domestic demand, the c[om]pany has already received [ex]port orders. It has plans [to] undertake the manufactur[e of] basic pesticidal chemicals [in] collaboration with a US fir[m.]

The Industrial Developm[ent] Bank of India (IDBI) bo[nds] for a total value of Rs 15 [cro]res which opened for subsc[rip]tion on April 28 was o[ver]subscribed and closed wit[hin] a few hours of its open[ing.] The bonds, fourth in the se[ries] are for a ten year period [and] carry at six per cent [per] annum.

The consolidated net inco[me] of **American Express Comp[any]** for the first quarter of 1[975] was higher at $ 35.4 million [as] compared to $ 34.5 million [in] the first quarter of 1974. Ea[...]


May be the sun is good for your skin,
but is it good for your suit?
Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour!
A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.
JIYAJEE
TERENE SUITING
SHIRTING & DRESS MATERIALS
JIYAJEERAO COTTON MILLS LTD.

per share amounted to 9 against $ .48 a year ago. total income from travel Financial services (other n Insurance) during the t three months of 1975 was by 32.4 per cent to $ 18.1 lion from $ 13.6 million in first quarter of 1974 while total income of insurance vices for the quarter was ver at $ 17.3 million as comred to $ 20.8 million. Traves cheque sales continued to exceptionally strong with bstantial gains in US and nadian dollar sales.

The registers of unit holrs will remain closed from ne 2 to 30, 1975, in concction with the annual closg of the books and accounts the **Unit Trust** and for the eclaration of the income disibution to unit holders for e year ending June 30, 1975. here will be no sale of units uring the period. Repurases of units will continue s usual. All unit holders hose names stand on the nit holders' registers as on une 30, 1975 will be entitled o the income distribution for e full year. Repurchases of nits under the Unit Scheme, 964 will remain suspenled during the period July 1 o 31, 1975.

Engineering Projects (India) Limited (EPI), a government of India undertaking, has received an order for supply of a 50-tonne Electric Arc Furnace with a 50 MVA Transformer from a major alloy steel company in the private sector in Bombay. This furnace, the largest to be built and installed in the country so far, will be used for the production of special alloy steels. It is being designed and built by EPI in technical collaboration with DEMAG of West Germany under an industrial licence issued to EPI recently for the manufacture of large capacity electric arc and reduction furnaces.

In the furnaces field, EPI has received orders for 14 furnaces valued at over Rs 3 crores from customers in India and foreign countries. These include an export order from France for 2 billet reheating furnaces for a steel plant and two other orders, one from Bharat Aluminium Co., Korba, and the other from Pumps and Compressors Ltd., Naini Allahabad. A leading prime contracting company in India, EPI has already completed a number of projects. Currently, EPI is implementing 30 turnkey projects of an aggregate value of Rs 1000 million which include 3 export orders of the value of about Rs 100 million.

New Issues

British Paints (India) is offering 262,282 equity shares of Rs 10 each at par for subscription by Indian investors with a view to reducing the foreign shareholding to 45 per cent. Out of these shares, 97,395 shares are being offered to the existing Indian shareholders as rights shares in the proportion of one share for every five shares held. Besides 26,000 shares have been reserved for Indian directors and employees of the com-

pany. The remaining 138,887 shares are being offered to the public for subscription. The company has planned to further increase its share of the market and also to achieve a fair growth in sales and earning in the next five years. The proceeds of the present issue would be utilized to finance the working capital requirements of the company which the planned growth in sales would entail. A part of the money would also be used for the purchase of generating sets for captive use.

Hindustan Electro-Graphite will soon be in the capital market with a public issue of Rs 2.29 crores comprising 12,50,000 equity shares of Rs 10 each and 1,04,000 (11 per cent) redeemable cumulative preferance shares of Rs 100 each. The entire public issue has been underwritten jointly by a number of financial institutions The company is setting up a project for the manufacture of graphite electrodes near Bhopal. It has been promoted jointly by the Rajasthan Spinning and Weaving Mills and the French firm Pechinney Ugine Kuhlmann, and has already made considerable progress in the implementation of the project. Construction of the factory is proceeding apace and orders for imported and indigenous machinery have been placed. The plant which will have an installed capacity of 10,000 tonnes of graphite electrodes and anodes is expected to be ready for trial production by the second quarter of 1977 and for commercial production by the following quarter. The total capital outlay on the project is estimated at Rs 14 crores and it will be financed by the overall share issue of Rs 4.67 crores to which the French collaborators will contribute a sum of Rs one crore and term loans of Rs 9.33 crores for which arrangements have already been made.

Boehringer-knoll Ltd is offering 200,000 equity shares of Rs 10 each to the public for subscription. In addition the company's existing share-holders are offering for sale to the public 133,400 equity shares of Rs 10 each. The subscription list opens on May 15 and will close on May 24 or earlier but not before May 19. The entire amount of Rs 10 per share is payable in full on application. The company manufactures in collaboration with Boechringer Mannheim Gmbh and Knoll Ag, both of West Germany, a wide range of basic drugs, fine chemicals and pharmaceutical specialities. The purpose of the present issue is to enhance the issued, subscribed and fully paid-up capital from Rs 80 lakhs to the current authorised capital of Rs one crore and to reduce the non-resident shareholding i.e, Boehringer Mannheim Gmbh to less than 40 per cent. Yet another purpose of the present issue is to enable the shares of the company to be quoted on the Bombay Stock Exchange by wider participation of the Indian public in the equity capital of the company.

J.K. Industries Ltd, is offering 39,80,000 equity shares of Rs 10 each and 75,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each, both for cash at par, to the public for subscription. The subscription list opens on May 9 and will close on May 20 or earlier but not before May 12. The public issue is fully underwritten. The company has been promoted by J.K. Synthetics and Straw Products, the two leading members of the J.K. Organisation and they are participating in the venture by contributing three crores of rupees to the equity capital of the company. The Rajasthan government is also investing Rs 70 lakhs in the equity capital. The project is being executed in technical collaboration with General Tire International Co. of the USA. The plant is being set up at Kankroli, a backward area in the Udaipur district of Rajasthan and it is designed to produce five lakh numbers each of automobile tyres and tubes per annum. The location of the project is ideal from the point of view of principal marketing centres and supply of power. Besides the plant will be equipped with the latest technology for the production of radial tyres which would be produced by the company for the first time in the country. The plant is expected to go into commercial production by the third quarter of 1976. The capital outlay on the project is estimated at Rs 25.50 crores and it will be financed by the share capital of Rs 8.50 crores while loans will be raised to the tune of Rs 17.00 crores.

Capital and Bonus issues

Approvals for capital issues ammounting to Rs 209.33 crores in respect of 345 companies in the private sector were given in 1974 as against Rs 182.43 crores for 312 companies in 1973. According to the Finance ministry rep for 1974-75 the foreign pa cipation in approval was the order of Rs 36.58 cro as against Rs 16.83 crores 1973. The total included 4.34 crores in initial and f ther issues, Rs 22.11 crores bonus issues and Rs 10 crores of loans. Out of total approvals in 1974, units were given approval initial issues amounting to 31.99 crores and 74 for furt issues of the order of Rs 47. crores. Consent for the iss of bonus shares was accord to 176 units involving Rs 77. crores as against 151 conse for bonus shares amounti to Rs 60.22 crores in 197 Besides these, approval we also given for 21 debentu issues of the order of Rs 32. crores and loans of Rs 19. crores in 26 issues as again 19 debenture issues of 22.35 crores and loan appr vals of Rs 11.50 crores (issues) respectively in 1973.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previou year
Higher Dividend			
Jain Tube	July 31, 1974	12.0	8.0
Wandleside National Conductors	December 31, 1974	5.0	Nil
Same Dividend			
Widia (India)	December 31, 1974	12.0	12.0
Electrical Manufacturing	May 31, 1974	Nil	Nil
Cummins Diesel	June 30, 1974	Nil	Nil
Reduced Dividend			
Vasantha Mills	December 31, 1974	Nil	12.0
Saroja Mills	December 31, 1974	Nil	7.0
Highland Produce	December 31, 1974	12.0	12.5
A.V. Thomas	December 31, 1974	12.0	12.5

Bayer

BAYER

Bayer (India) Limited

Speech of the Chairman Mr. B. M. Ghia

Delivered on 7th May 1975, at the Seventeenth Annual General Meeting of the Shareholders

ends,

I have great pleasure in extending a hearty welcome to u at the 17th Annual Gene- Meeting of Bayer (India) mited.

You would have already ceived the Annual Report of our Company for the year 974. With your permission, I hall take it as read.

I am sure you must have

Mr. B.M. Ghia

been happy to notice the noteworthy improvement in the performance of the Company in the year 1974. The total sales amounted to Rs. 21.30 crores as against Rs. 15.78 crores in the previous year. As a result, the Company's net profit improved to Rs. 1.54 crores (Rs 1.11 crores). Although the pre-tax profit showed an improvement of 50% over the previous year, the rate of improvement in the net profit was lower, because of increase in our liability for Income-tax (3.12 crores as against Rs. 1.98 crores in the previous year). A sum of Rs. 59.00 lacs (Rs. 64.00 lacs) has been provided for Depreciation and Rs. 5.00 lacs for Development Rebate Reserve (Rs. 6.80 lacs). After careful consideration, the Board of Directors of your Company have recommended a Dividend at 12% (Rs. 12/- per equity share) for the year ended 31-12-1974 for payment from General Reserve. I am glad to announce that 6.3% of Dividend amount will be free of Income-tax in the hands of the shareholders.

As in the past, the improvement in the working results was shared by all three Divisions of the Company.

Sales of PESTICIDES DIVISION showed remarkable improvement over last year. In fact, our sales growth was quite unique in the country's Pesticides Industry.

Work on the 2nd Stage expansion of our BASIC PESTICIDES PRODUCTION PROJECT is in progress and expected to go into production before end-1975. With this, there would be substantial improvement in the supply of our indigenously produced products for which we propose to suitably expand our extension and sales force to serve the vast needs of the agricultural inputs market.

The growth rate of sales of the RUBBER DIVISION was higher than in the last year because tyre manufacturing units showed better results in 1974 in spite of various problems like power cuts, credit squeeze and high price of natural rubber. Exports of rubber chemicals had to be discontinued due to the ban imposed by the Government.

We have received an Industrial Licence as well as the CG Licence for the expansion of our rubber chemicals plant to a capacity of 6665 tons. Implementation of the expansion is under process.

The turnover of the PHARMACEUTICAL DIVISION showed an impressive increase of 26 per cent. However, the Division has had to face, as in the past, continuous increase in the prices of raw and packing materials, while the selling prices remained unchanged. Early this year, the Government approved an increase in prices of a number of products. The encouraging trend set for export of Pharmaceuticals has been well maintained during the year under report. The exports increased from Rs. 7.50 lacs in 1972 to Rs. 17.10 lacs in 1973 to Rs. 35.79 lacs in 1974. We exported basic drugs as well as certain formulations to Indonesia. Turkey, Thailand, Sri Lanka, Singapore and Malaysia.

We have received a Letter of Intent for the expansion of capacity for Chloroquine Phosphate from 12 to 36 tons. The various conditions stipulated in this letter are being studied.

I hope you will share my views that the year 1974 was a successful year for the Company and my hope that the favourable trend will continue in future.

I take this opportunity of acknowledging with gratitude the energetic and loyal contribution of the empoyees of the Company at all levels, which has enabled us to report to you such satisfactory results for the year.

Thank you.

RECORDS AND STATISTICS

Modifications in finance bill for 1975-76

THE FINANCE minister, Mr C. Subramaniam, presented in Lok Sabha on April 30, 1975 certain amendments to the Finance Bill for 1975-76 which, in his view, would reduce the anticipated revenue by Rs 33 crores. The additional taxation measures, according to the Finance Bill, were expected to yield Rs 239 crores but the proposed modifications would reduce it to Rs 206 crores. The proposed changes covered both direct and indirect taxes.

Relief to Synthetics

The Finance minister had received a number of representations regarding the excise levies proposed by him on rayon and synthetic yarns, fabrics and also in relation to the prevailing excise duties on caprolactum and DMT. The relief to the rayon and art silk sector was sought for improved capacity utilisation and also to curtail smuggling of synthetic textiles. The Finance minister said that the existing 25 per cent ad valorem duty on DMT would be removed. The effective duty on textile yarn was also proposed to be reduced by Rs 10 per kg. The basic excise duty on art silk fabrics was also done away with. The Finance minister hoped that the industry would pass on these reliefs to the consumer.

In regard to the small power loom operators, the compounded levy rates were lowered. Each unit would now pay Rs 50 per annum per power loom on the first two looms, Rs 100 per annum per loom on the next two looms and Rs 200 per annum per loom on the remaining looms up to 49 looms.

The Finance minister reduced the excise duty on Virginia flue-cured tobacco. He also gave relief to tobacco stalk used for chewing purposes. The *ad valorem* duty on snuff was replaced by a specific duty of Rs 2.50 per kg.

Educational Deduction

In the case of direct taxes, Finance minister liberalised the provisions regarding deductions in respect of expenditure incurred by individuals whose gross annual incomes did not exceed Rs 12,000. The benefit of higher deduction of Rs 1,000 per child would be extended to cases where the student was studying for a degree or post graduate course in business management. The concession would also cover expenditure incurred by individuals on the education of their dependent brothers and sisters.

In view of the sharp increase in interest rates, the Finance minister raised the monetary ceiling limit for the deduction of tax at source from Rs 400 to Rs 1,000 in respect of interest income. He also proposed certain changes in relation to the approved gratuity funds and on interest paid by non-banking, non-financial companies on deposits received by them from the public.

The following is the text of the Finance minister, Mr C. Subramaniam's speech while introducing the Finance Bill in the Lok Sabha on April 30, 1975:

Before I deal with the specific provisions of the Finance Bill, I would like to describe briefly the main features of the economic situation, as they now appear, eight weeks after the presentation of the budget.

Latest Data

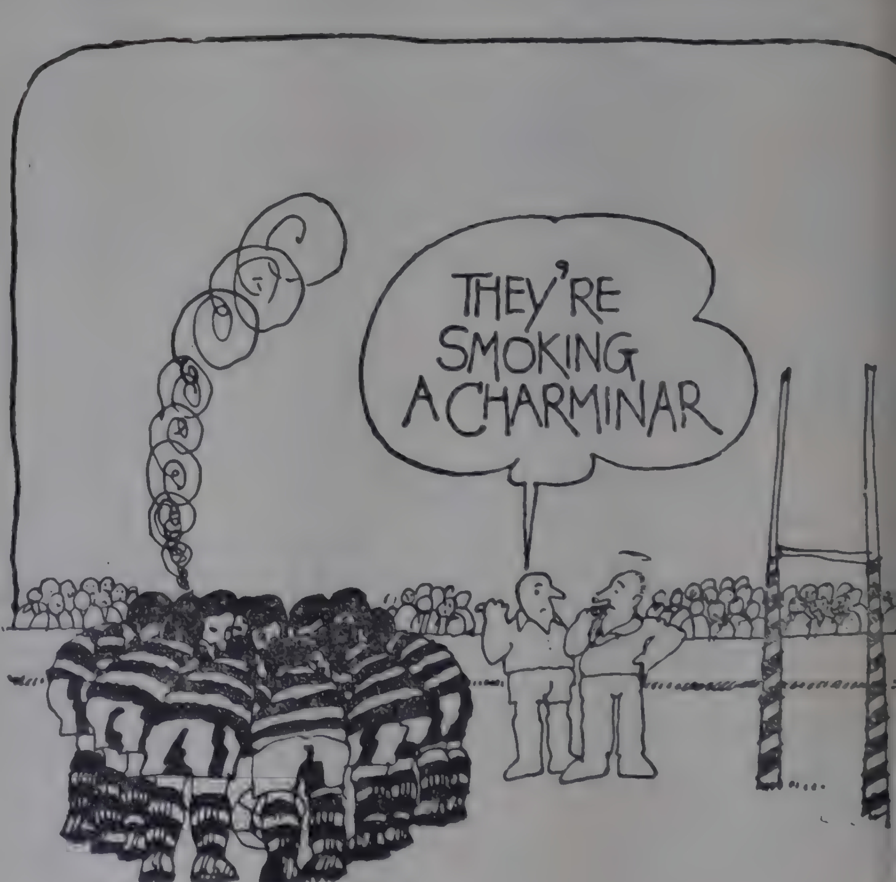
The latest available data on wholesale prices relate to the week ended April 12, 1975. An analysis of these data shows that the declining trend in prices which has been noticed since the last week of September 1974 has been maintained even during the post-budget period. Thus, as compared to the pre-budget level, the wholesale price index for the week ended April 12, 1975 was lower by 0.60 per cent. This shows that despite fears expressed by certain sections of this august House, the various taxes which have been levied in the budget for 1975-76 have not disturbed the declining tendency in the wholesale prices. I would like to invite the attention of hon'ble members to the fact that the index for week ended April 12, 1975 was higher by only 6.9 per cent as compa
to its level a year ago.

This is a matter
some satisfaction since
the end of 1973-74, pr
were rising at an ann
rates of 30.2 per cent
by September 1974 the ann
rate of inflation had r
to 31.9 per cent. Betw
September 21, 1974 and A
12, 1975, the wholesale p
index has declined by se
per cent. The declining tr
in wholesale prices has star
getting gradually reflected
the retail level. Hon'ble m
bers would, no doubt, de
satisfaction from the fact t
India is one of the few cou
ries where prices have b
continuously declining dur
the last six months.

Declining Trend

The fact that the declin
trend in prices has sustai
despite an unsatisfactory kh
crop in 1974 suggests that
greater fiscal and monetary
cipline which has been impo
in the last one year has b
effective in curbing the in
tionary pressures.

In the final analysis, eco
mic stability and progress
be sustained only on the ba
of greater production. For
nately, the outlook for the c



rabi crop is highly favour- Despite an unsatisfac- kharif crop in 1974, pro- ment of kharif cereals in marketing season 1974-75 kely to be of the same order n the preceding year. The curement prospects for the cereals look bright. Pre- nary advance estimates gest that the index of indust- production in 1974-75 may ord an increase of four per t as against 0.5 per cent in 3-74. During the last quar- of 1974, production of seve- sensitive industrial pro- ts, such as cement, nitro- ous fertilisers, caustic soda, ar and vanaspati have re- tered increases ranging from to 40 per cent as compared the preceding quarter. ailable evidence suggests t this trend has been tained during 1975.

ising Production

Looking ahead, as a com- ned result of measures now ng adopted to raise the pro- ction of coal, steel, electri- y and fertilisers, it is rea- nable to hope that the index industrial production in 75-76 will record further im- ovement. The step-up in an outlays for 1975-76 by bout 23 per cent will further lp to raise industrial produc- on and the level of capacity ilisation. Although the price tuation is currently under ontrol, there is no scope for ny complacency. Nor is this e time to relax fiscal and onetary discipline. At the ame time, I fully recognise at our response to the emerg- ng situation must be flexible nough to enable the economy o make full use of its produc- ive potential. It is our inten- ion that fiscal and monetary olicies should assist in maxi- nising production without at he same time accentuating in- flationary pressures in the eco- nomy, or encourating specula- tive tendencies.

I have given careful consideration to the valuable suggestions made by hon'ble members on the budget proposals. I would like to take this opportunity of conveying my gratitude to all those who have made constructive suggestions in this regard, in the light of which government have decided to make certain changes in the taxation measures. I shall now briefly deal with these changes.

Let me start with direct taxes. The Finance Bill seeks to make a provision in the Income-tax Act for allowing a deduction in respect of expenditure incurred by individuals whose gross annual income does not exceed Rs 12,000 on higher education of their dependent children. I now propose to liberalise these provisions in two respects. Firstly, it is proposed to extend the benefit of the higher deduction of Rs 1000 per child to cases where the student is studying for a degree or post-graduate course in business management. Secondly, it is proposed to extend this concession to cover expenditure incurred by individuals on the education of their dependent brothers and sisters.

Income at Source

At present, income-tax is deducted at source from interest income in cases where the amount of such income credited or paid at any one time exceeds Rs 400. The Bill already before this House seeks to extend the requirement of deduction of tax at source to cases where the interest income credited or paid during the financial year exceeds Rs 400. It has been urged that because of the high rates of interest currently in force, the requirement of deduction of tax at source from interest income will now apply even in respect of relatively small deposits. I accordingly propose to raise the monetary ceiling limit for the application of the provision for deduction of tax at source from Rs 400 to Rs 1000 in respect of interest income.

As the hon'ble members are aware, our tax laws contain several provisions for encouraging the setting up of approved gratuity funds by employers. The amounts contributed by employers to such funds are allowed as deduction in computing their taxable income. Income received by trustees of approved gratuity funds is fully exempt from income-tax No wealth-tax is also payable. by trustees of such funds. Since, under the relevant rules, moneys belonging to approved gratuity funds are required to be invested in the prescribed manner, the establishment of such funds safeguards the interests of employees in the event of the employer getting into financial difficulties.

Gratuity Funds

In furtherance of this objective, the Blil as presented earlier provided that no deduction will be allowed in the computation of taxable profits in respect of mere provisions made by employers in their accounts for payment of gratuity to their employees without the setting up of an approved gratuity fund. This change was proposed to be made retrospectively from April 1, 1973. While the principle underlying the proposed modification is salutary, it has been represented that giving it retrospective effect will operate harshly. I therefore propose to move an amendment to the Bill enabling tax-payers to transfer the amount of provisions made by them to approved gratuity funds before April 1, 1977. For this purpose, tax-payers will have to set up approved grauity funds before January 1, 1976 and transfer to such funds at least fifty per cent of the provisions made in the previous years relevant to assessment years 1973-74 to 1975-76 before April 1, 1976 and the balance before April 1, 1977.

Amounts transferred to approved gratuity funds within the specified time will be allowed as deduction in computing the taxable profits of the past years in which the provisions were made. The deduction will, however, be limited to the amount which qualifies for deduction as contribution to an approved gratuity fund under the existing provisions of the law, namely, eight and one-third per cent of the employee's salary for each year of service with the employer.

The Bill seeks to restrict the exemption in respect of income from livestock breeding and poultry and dairy farming to Rs 10,000 per annum. It has been represented that the proposed amendment will have an adverse effect on the growth and future development of these activities. Keeping in view the need to foster the continued growth of livestock breeding and poultry and dairy farming in the country, I propose to provide for the taxation of the income derived from these sources on a concessional basis. The concession will be allowed by deducting, in the computation of taxable profits, an amount equal to one-third of the profits derived from these sources or a sum of Rs 10,000, whichever is higher.

Appropriate Norms

It has also been urged that a large number of persons engaged in poultry and dairy farming are not used to maintaining detailed accounts for income-tax purposes. Apprehensions have, therefore, been expressed that the proposed amendment may lead to arbitrary assessments and harassment of such persons. With a view to allaying misgivings on this score, I wish to inform the hon'ble members that the Central Board of Direct Taxes is currently engaged in evolving appropriate norms for the computation of taxable profits in such cases. Necessary guidelines will be issued by the board for the computation of the taxable profits by the Income-tax Officers in a fair and reasonable manner.

Under a provision in the Bill, only 85 per cent of the interest paid by non-banking non-financial companies on deposits received by them will be allowed as deductible expenditure for tax purposes. I propose to move an amendment to the relevant provision in the Bill to clarify that interest paid on debentures and on loans which are secured by the creation of a charge on the assets of the company, a margin of at least 25 per cent will not be taken into account for the purposes of this provision.

Hon'ble members would be happy to know that in res-

ponse to their representations, I propose to revive the compoinded levy scheme for khandsari sugar which was withdrawn from March 1, 1975, but with two modifications. The first is that the weekly rate of duty per centrifuge will be twice the rate prevailing on February 28, 1975 in the case of khandsari units working without the aid of a sulphitation plant and on 2½ times the rate prevailing that date in the case of units having a sulphitation plant. The second modification is that a khandsari sugar manufacturer, if he opts for the compounded levy scheme, will have to pay duty at the appropriate compounded levy rate on the centrifuge installed in his unit for the entire period commencing from the week he begins crushing operations in his unit during each season and ending with the week in which he ceases production of sugar during that season.

However, the existing practice of having a lower rate for the off season as compared to the main working season is proposed to be continued. In order that the benefit of the proposed modifications may not be denied to khandsari manufacturers during the intervening period from March 1, 1975 it is also proposed to give them an option to pay duty either at 17½ per cent ad valorem on their actual production of khandsari sugar or at the new compounded levy rates subject to the other stipulations of the new system and to grant consequential *ex gratia* refund or remission of duty, as the case may be.

Equitable Levy

It has been represented that the duty on virginia flue-cured tobacco other than that used for cigarettes and smoking mixtures has been kept at a level higher than the duty on non-flue-cured tobacco was even though both types may be used for similar purposes. As this may not be equitable, I propose to reduce the effective duty on virginia flue-cured tobacco not otherwise specified, falling under Item 4-I (3) of the Central Excise Tariff Schedule, also to Rs 3 per kilogram. I also propose to give relief to tobacco stalk nsed for chewing purposes in unmanufactured form by limiting the duty on such tobacco to 65 paise per kg, the rate which prevailed before March 1, 1975.

Since snuff manufacturers, most of whom are in the decentralised sector, apprehend difficulties in regard to valuation, I propose to replace the ad valorem duty on snuff by a specific duty of Rs 2.50 per kilogram. I am separately moving an amendment to the Finance Bill for this purpose. By an exemption notification, the specific rate of duty for snuff of value of Rs 10 per kg and lower will be fixed at 75 paise per kg and for snuff of higher value at Rs 2 per kg. This will be done as soon as the amended bill is enacted.

Dyes Exempted

Prior to March 1975 pigment dystuffs were completely exempted from excise duty. This exemption in respect of pigment dye stuffs was withdrawn as part of my budget proposals and consepeuntly these dye stuffs have become assessable to a basic duty of 25 per cent ad valorem and auxiliary duty of 20 per cent of the basic duty. Since it has been represented that a suddan increase of this magnitude in the duty on pigment dye stuffs will have serious adverse effects on the user industries. I propose to reduce the basic duty on pigment dye stuffs to 10 per cent ad valorem. The auxiliary duty will continue to be 20 per cent of the basic duty. I also propose to make lake colours, which have similar end uses, liable to duty at the same rate as pigment dye stuffs.

Hon'ble members will recall that I had introduced a new levy in the budget on textured yarn. The rate of duty against this Item was indicated as the duty for the time being leviable on the base yarn if not already paid plus Rs 20 per kg. An explanation had also been added to define the scope of the term "textured yarn". As it appears that the provisions contained in the Bill in regard to the "Explanation" relating to textured yarn and the rate of duty levied on it are capable of misinterpretation, I propose to amend both these suitably with retrospective effect from March 1, 1975 in order to bring out more clearly the original intention. I shall move suitable amendments to the Bill for this purpose.

A large number of representations have been received with regard to the levies proposed by me on rayon and synthetic yarns and fabrics and with regard to the existing excise duties on caprolactum and DMT. The general purport of these representations is that the levies on these items should be eliminated or reduced. It has been argued that relief to the rayon and art silk sector will result in better capacity utilisation and reduce the incentive to smuggle synthetic textiles. Considering that both weaving and knitting machines using synthetic yarn are also to be found in the relatively small scale sector, and having regard to the various representations and arguments advanced, I propose to give the following reliefs by notifications to this industry. First, I propose to remove the existing 25 per cent ad valorem duty on DMT. Secondly, I propose to reduce the effective duty on textured yarn by Rs 10 per kg. Thirdly, I further propose to excmpt altogether the Basic excise duty on artsilk fabrics irrespective of value.

Capacity Utilisation

These reliefs, I hope will help to ensure better utilisation of the installed capacity in the industry and also bring down substantially the prices of woven as well as knitted fabrics sepecially those using textured yarn. The extent to which the reliefs are passed on by the industry to the ultimate consumer will be the index of the earnestness of the industry in seeking the reliefs. I ma[y] sure the House in this co[nnec]tion that irrespective of w[hat]ever may be the price [effect] of this budget on synt[hetic] fabrics as well as other ar[ticles] we shall maintain the te[mpo] of anti-smuggling acti[vity] built up in recent months.

With a view to afford [relief] to the small powerloom op[era]tors, I propose to change [the] compounded levy rates so [that] each unit pays Rs 50 per an[num] per powerloom on the [first] two looms; Rs 100 per an[num] per loom on the next two lo[oms] and Rs 200 per annum [per] loom on the remaining lo[oms] up to 49 looms.

Duty on Aluminium

While raising the effec[tive] duty on aluminium by Rs 2[…] per metric tonne, I had in [my] budget proposals exemp[ted] EC grade aluminium from [the] increase as this grade is u[sed] for the manufacture of cond[uc]tors and cables required for [the] transmission of electrical en[er]gy. It has now been repres[en]ted that the benefit of the c[on]cession can be availed of [by] aluminium cable manufactu[rers] only if they buy the alumini[um] wire rods required for the ca[ble] manufacture directly from [the] primary producer and [not] when they get such wire r[ods] manufactured by others. [I] propose to amend the releva[nt] exemption notification with [a] view to remove this anoma[ly] and to give the benefit of co[n]cessional duty to all EC gra[de] aluminium wire rods.

I am also proposing modi[fi]cations in the duty on expos[ed] cinematograph films. Since [it] has been represented that pri[nts] of films cleared after 12 mont[hs] are usually supplied to theat[res] located in small towns and ru[ral] areas, whose earnings are co[m]paratively low, I propose [to] allow clearance of such prin[ts] at certain fixed rates so th[at] the duty incidence is reduce[d]. Again, as it appears that the r[e]vised concession with regard [to] the first 15 prints of each fi[lm] discriminates against films w[ith] a large area coverage. I propo[se] to revert to the *status quo an[te]*

eastern ECONOMIST

MAY 16, 1975

ail Ho

THE LIGHTS, CERTAINLY, are not going out in south-east Asia. New lamps, in fact, eing lit. All the same, some shadows too are descending. This is why our try and government should not fail to react and respond to the unfolding his- in Indochina with maturity and an added sense of responsibility. Unfortunately, er the prime minister nor the Foreign minister has exactly given a correct lead r.

No tears, of course, need be shed on the deservedly disgraceful collapse and rout of the US military machine in Indochina. The way the White House and Pentagon had waged war in Indochina or Cambodia was an outrage not only he culture of the American people but also on the entire western civilization. world must pray that this American transgression on Asian soil must for ever in the final definition of man's inhumanity to man since it is not within the er of the human race to tolerate or even contemplate any worse.

Nevertheless, it may be naive to imagine that US military power or foreign cy has been the only loser here, for the issue of proliferating Asian communism ains as real and urgent as though the United States has never made its ill-starred rt to combat or contain it. Let us by all means rejoice that the people of Viet- or Cambodia have become masters of their destiny but let us also ask search- ly and perhaps anxiously as well what they may be making of their destiny and it may all affect other peoples in other lands in Asia where the democratic way ife is not yet ready and may perhaps never be willing to yield to the concept of otalitarian or other forms of authoritarian state. Already Thailand, which has so ently and so hopefully set out to explore liberal ways of government and iety, is nervously twiddling its thumbs. The city state of Singapore has become osed to harsh, uncertain winds. In Malaysia, where considerable progress has en made in evolving a multi-racial community of people living and working to- her, with opportunities to build up parliamentary institutions and democratic des of political activity, a worrying question mark is suddenly looming over the spects of peaceful growth. Vital Thailand or Malaysian border country, already ewed up by guerilla or insurgent activity, has now become to be counted among world's most vulnerable frontiers. There is no doubt calm in Bangkok and urage in Kuala Lumpur or Singapore, but the truth is there for all to see that, ross many countries in south-east Asia, there is an unpredictable movement of story of a kind which peoples of this land could well do without.

Perhaps in Hanoi, Ho Chi Minh City, or Phnom Penh itself there could be ices—sounds made in doubt or fear—other than those raised loudly in shouts or ngs of victory. The war in Indochina, after all, has not been only the United ates's war with Indochina. Among the people of Indochina, who fought so heroi- ally not only for the freedom of their land but also for the freedom to live a life of eir own, were numerous men and women who did not see victory in the way in hich it has now in fact arrived, Can it be assumed that they would readily forget eir aspirations in order that they may be forgiven for having fought for them? it so very certain that, with the evacuation of the US embassy in what was Saigon, dochina must necessarily see an end to man's tyranny over his fellow men? Surely, ese questions and more will have to be patiently discussed for possible answers to hem before India could take the word of Mr Chavan or Mrs Gandhi that it only emains to celebrate the triumph of the spirit of man in this part of the world.

It is no doubt true that the United States has failed in its self-chosen mission f protecting Asians from Asians, but it would still be necessary for the Asians in outh or south-east Asia to protect themselves from other Asians. Here surely, China oversees the scene as a Himalayan imponderable. Will it permit Cambodia r Vietnam to develop its communism, so to speak, in freedom? Or, will it attempt

to exploit any power vacuum that there may be in the region to export Maoism to its neighbours, near or not so near? It is being freely suggested in many quarters that China is unlikely to pursue any territorial ambitions, overt or covert, in its Asian neighbourhood. This, however, remains a thesis good enough perhaps for a doctorate in political science, but surely not safe enough for China's neighbours to base foreign policy or defence strategy on.

What seems likely is that Peking will act with the utmost circumspection in terms of the Sino-Soviet confrontation which has become the major determinant of China's diplomatic or defence priorities. It follows that while China's neighbours in south or south-east Asia should, at the worst, be prepared for threats to their independence or territorial integrity from Peking, they, even in the most favourable conditions, must be prepared to live with problems posed for their own military preparedness or political fence-building by the bids likely to be made by the two super powers in the region to outmanoeuvre each other.

This is why it is just not enough for Mrs Gandhi to be merely saying that she sees no reason for a setback in India's relations with the USA because of recent developments in south-east Asia and her reactions to them. It is clearly incumbent on her, so long as she remains at the head of the government, to ensure that nothing is said or done by or on behalf of that government to make this country lose friends or forfeit goodwill or influence in any part of the world.

In a talk to Indian newsmen, who had gone with her to Kingston, she has explained that "in external relations we have to keep on trying for friendship and find areas where we can cooperate." It still remains for her to convince her countrymen—let alone the rest of the world—that the external relations of the government of which she is the prime minister are in fact being conducted in this manner all along the line. The prime minister seems to be fond of pointing out what she considers to be the moral of the American involvement in Vietnam and its denouement. She herself could usefully draw lessons from what happened in and to the South Vietnam that was that was. For instance, is it not dangerous in this all too dangerous a world for the government of any country to put all its diplomatic eggs in one super-power basket?

Common sense on commodities

THE CONFERENCE of 33-government leaders in Commonwealth countries which met at Kingston (Jamaica), agreed on the setting up of a 10-man committee of economic experts to recommend action for reducing the gap between the world's poor and rich nations. This committee is expected to present its recommendations in August this year. Setting up committees is of course a time-honoured way of avoiding difficult decisions or postponing agreement on issues involving conflict of interests. It should however be conceded that the problem of bridging the gap between rich and poor nations is no more open to instant solutions than that of bridging the gap between the rich and the poor within the same country. On the contrary, as is only very natural, it is a question to which answers are immeasurably more difficult to find. In this sense there is surely room for studies at expert levels and discussions on a political plane where a subject of this complexity is concerned. Actually the matter is being dealt with already by many international agencies in one form or the other and one of the international bodies actively engaged in the task is of course the UN Conference on Trade and Development (UNCTAD). The expert body planned at Kingston will be labouring in good company.

The conference itself seems to have set only very general guidelines for the work of the committee. There has been mention of a programme of practical measures to help the developing countries to get a fair share of the world's wealth. India's prime minister observed on the eve of the conference that one of the ways this could be done was to secure an improvement in the terms of trade of developing countries. As a general proposition this suggestion had everything to recommend it, [b]ut the real issue is how this extremely d[esirable] objective of bettering the position [of de]veloping countries in internationa[l trade] is to be achieved in terms of con[crete] and institutional arrangements [which] would be generally acceptable to de[velop]ing and developed countries alike[. Mrs] Gandhi's address to the Kingston [confe]rence was not of much help here[; she] chose to be abstract where it [should] have been concrete, often preferri[ng to] trade in platitudes rather than make [prac]tical proposals.

It may be recalled that the first tim[e Mrs] Gandhi represented the governme[nt of] India at a Commonwealth prime [minis]ters' conference was when she was mi[nister] for Information and Broadcasting i[n the] Shastri cabinet. On that occasio[n she] went to London with the late T.T. Kr[ishna]machari on whom devolved the wo[rk of] active participation at the conferenc[e. It] must be said that he did not exactly c[over] himself with glory in this assign[ment.] As for Mrs Gandhi, she was not ev[en in] the wings and unkind observers sugg[ested] at the time that she had gone to Lo[ndon] primarily to attend to her maternal [res]ponsibilities, while a particularly [un]charitable one would have it that she [had] simply gone to look over the place an[d de]cide about settling in the UK. This [time] of course she had participated in the [con]ference at Kingston as the prime min[ister] of her country and at least one encha[nted] British journalist had cast her in anti[cipa]tion as "the star" of the summit t[alks.] It was, however, that clever old pro, Harold Wilson, who, evidently, man[aged] to steal the show such as it was.

Britain's prime minister felt appare[ntly] that tact required of him to keep a [low] profile when the conference discu[ssed] African political issues, but when the i[ssue] of commodity trade and prices came [up] he quite clearly found himself in his [ele]ment. He claimed in his speech that [his] own concern involved with the probl[ems] of commodity trade had been life-long [and] he recognized that an entirely new si[tua]tion has now arisen because of the ex[tent] of instability in food and raw mate[rial] prices. This in his view had rendered [the] task of ensuring in international trad[e a] fair and assured return to develop[ing]

untries producing the food and raw mate-ls the world needs a prime necessity any international economic order based the inter-dependence of nations. fter dwelling on the complexities of troducing some form of indexation of mmodity prices linked to the price of anufactured goods which developing ountries import with the proceeds from eir primary exports, he suggested that would perhaps be worthwhile immedia-ly to work out a General Agreement on ommodities on the analogy of the Gene-al Agreement on Tariffs and Trade. He mphasized that any such agreement hould seek to reconcile and serve the inte-ests of both producer and consumer ountries which, in the last analysis, hould necessarily converge at the point of steady and substantial growth in world rade. The trade in commodities, in is view, should be through equitable arrangements worked out in agreement between producers and consumers, with the former undertaking to maintain adequate and secure supplies and the latter accepting the responsibility for improving access to markets for those items of primary production of interest to developing countries. On the price issue he pleaded for the adoption of the principle that commodity prices should be equitable to consumers and remunerative to efficient producers and at a level which would encourage longer-term equilibrium between production and consumption.

Under the umbrella of a General Agreement on Commodities, suggested Mr Wilson, individual commodity agreements should be promoted through the joint efforts of producers and consumers in a way designed to facilitate the orderly conduct and development of trade. He made several detailed proposals in this regard but conceded that these proposals would obviously need further study. Meanwhile he made the interesting point that an attempt might perhaps be made to tackle, as a matter of urgency, the problems of some commodities which might be of special, if not exclusive, importance to Commonwealth producers. He gave the example of tea and jute which had not shared in the recent commodity boom. He was also concerned that special attention should be given to commodities produced by the poorest countries which were not on the whole susceptible to price stabilization agreements. He was persuaded that, in their case, it would be necessary to examine schemes to stabilize export earnings as a complement to price stabilization.

It is of course only too true that Mr Wilson's analysis or proposals represent neither original wisdom nor the ultimate word on the subject. Nevertheless, on an occasion when much rhetoric was expended on the concept of the developing countries establishing a new world economic order, perhaps by forcing OPEC-type commodity action down the throat of industrialized countries, Mr Wilson did perform the useful task of reminding his audience that permanent gains in the form of building up mutually advantageous economic inter-dependence between developing and industrialized countries could only be attempted through commodity agreements or schemes of stabilizing export earnings, which would co-ordinate the needs and serve the longer-term interests of all countries participating in international trade.

It seems to us that this is an approach which should commend itself even to the more militant protagonists of the cause of the developing countries at the present time when even the OPEC countries are discovering that there are definite limits to unilateral action in pursuing producer interests. Moreover, developing countries ought to realize that any attempt to work up the commodity issue as a matter of confrontation between them and the industrialized countries cannot have much credibility when it is seen all over the place that they themselves are finding it so difficult to agree among themselves on commodity issues. Thus, Bangladesh and India are yet to identify common ground between themselves on the marketing of jute. Similarly, Sri Lanka and India have a long way to go towards coordinating their ideas or efforts in improving the stability and profitability of the trade in tea.

It has been reported that Malaysia and Indonesia have achieved substantial progress in working out an international buffer stock scheme for rubber but, even in this case, differences remain to be reconciled. For instance, there is disagreement over the quantity of rubber to be stockpiled. It is therefore evident that the hammering out of a common approach is not always found to be an easy proposition even where only two countries are involved as major producers of a commodity. There is therefore nothing surprising in the concept of world-wide commodity agreements proving easy to orate on than come to grips with.

Developing countries, consequently, need not be working out a crusading attitude to these matters. After all, many national governments in the de-

---

Eastern Economist 30 Years Ago

MAY 18, 1945

A group of eminent industrialists of this country are now on a visit to the United Kingdom and the United States. The idea for the tour was mooted a fairly long time back, and the proposal, like all matters of public interest, had its critics as well as its enthusiasts. Not all of the former, it must be said, are either well-intentioned or responsible, and their criticisms, never very clear or definite, have been, for the most part, in the nature of vague suggestions and insinuations. Unfortunately, however, their propaganda has not been entirely fruitless, and the public mind, to some extent, became uneasy regarding the nature and scope of the activities of the delegation. Mahatma Gandhi, the nation's accredited spokesman, consequently—felt called upon to issue a statement, which is essentially an invitation to the industrialists to take the public into their confidence. The resultant exchange of statements and telegrams have served to clear the air, clarify the position of the delegation, and remove legitimate doubts and fears.

veloping countries are yet to solve the problem of assuring stable remunerative returns to primary producers within their own territories. It is true that this issue is to some extent linked with the problem of world commodity trade and prices, but even that part of it which could be dealt with in a limited way in the national context is not being taken care of always. Sound national policies of safeguarding the interests of primary producers could themselves strengthen the political and economic muscles of developing countries in grappling with the issue of fair terms for commodities in international trade. To the physician the advice may usefully be, more often than is believed, "Heal thyself."

Crystal gazing

THE WHITE PAPER on the fertiliser industry issued by the government recently seeks to give the impression that spectacular progress will be made in the current Plan period in respect of the creation of capacity and thereby indirectly a significant increase in production. The actual developments, however, may come about differently and from present indications it would appear that foreign exchange expenditure will continue to be heavy, resulting in an outgo of nearly Rs 2500 crores in a five-year period. This will be nearly equal to the fresh outlay on new and expansion schemes in 1974-79. Such colossal drain of foreign exchange could have been at least halved if there had been better planning of the implementation of expansion and new schemes and better utilisation of existing capacity.

In 1974-75 the installed capacity of 1.98 million tonnes of nitrogen could be utilised to the extent of only 1.2 million tonnes, giving an operating ratio of barely 60 per cent. It has been indicated that the shortage of power, mechanical failures and other factors were responsible for the loss of production of 330,000 tonnes of nitrogen. While efforts are being made to overcome the shortage of power with the erection of captive generators, the efficiency of working of many units in the public sector leaves much to be desired. The Cochin and Durgapur units have a capacity of 3,04,000 tonnes and the technical problems have been so intractable that it is only recently the Cochin unit has been working at 50-60 per cent of its capacity, while the Durgapur plant is yet to get over its technical snags. The Udyogamandel unit of FACT has been suffering from endless labour trouble while there was an unfortunate accident in the Manali unit of Madras Fertilisers which resulted in a loss of output for three months.

Even with a slowing down of demand for nitrogenous and complex fertilisers, the ministry of Petroluem and Chemicals thought it advisable to import large quantities and it is easily estimated that the value of these imports in 1974-75 would be over Rs 700 crores. No reliable data about the quantity imported in terms of nitrogen are available, but it is roughly estimated that 1.3 million tonnes would have been involved taking the total availability to 2.5 million tonnes. Having regard to the fact that there were carryover stocks from the previous year and the off-take of different types of fertilisers was not brisk due to drought conditions in certain parts of the country and high prices, the net demand can be estimated at around 2.2 million tonnes. Assuming that there will be excess stocks of 300,000 tonnes of nitrogen due to a bunching of imports and hasty commitments at high prices, the demand in 1975-76 may be of the order of 2.5 million tonnes. If excess stocks of 300,000 tonnes now available are deducted it will be necessary to arrange for fresh availability of 2.2 million tonnes of nitrogen in the current financial year.

The question now is how is the ministry of Petroleum and Chemicals going to find this quantity from indigenous and foreign sources. The country will fortunately be having the bunching of completion of many new projects in the public and private sectors in the coming months. These projects will enable the creation of new capacity of 1.028 million tonnes. The new pr[illegible] coming on the scene are Barauni, Na[illegible] expension, Sindri rationalisation, G[illegible] pur expansion, the joint-sector pr[illegible] of Southern Petro-Chemical Indu[illegible] at Tuticorin, the expansion schem[illegible] Shriram Chemicals in Kota, the [illegible] plant of Mangalore Chemicals and [illegible] urea and NPK units of IFFCO.

It will not however be correc[illegible] expect that the additional capacity [illegible] little over one million tonnes will [illegible] operation throughout the year as it [illegible] take some time for the new plants to [illegible] over the teething troubles. Also s[illegible] projects will be commissioned onl[illegible] the later half of the year. It may [illegible] therefore be justifiable to expect that [illegible] new capacity will account for an addit[illegible]al output of more than 300,000 ton[illegible] What is therefore imperative is the e[illegible]tive use of the capability of the ex[illegible]ing units. If these units can step [illegible] their output to 1.6 million tonnes [illegible] nitrogen with the small loss on acco[illegible] of power shortage and better working [illegible] the Durgapur and Cochin plants, t[illegible] production can be 1·9 million ton[illegible] requiring only an import of 300,[illegible] tonnes of nitrogen for meeting the [illegible] in availability. This quantity will [illegible] call for an outlay of more than Rs [illegible] crores. It has of course to be reme[illegible]bered that the outlay would have b[illegible] much higher at Rs 350-400 crores [illegible] 1975-76, but for a heavy accumulati[illegible] of stocks.

However, will it be correct to assu[illegible] that internal production in the curre[illegible] financial year will increase by 700,0[illegible] tonnes? The target indicated above [illegible] not in any sense difficult of achieveme[illegible] In 1976-77 no major projects will [illegible] ready except the Nangal expansion havi[illegible] a capacity of 152,000 tonnes, taking t[illegible] total capacity to over three million tonn[illegible] It should be possible in this year to st[illegible] up production to 2.4 million tonnes [illegible] all the new projects should have got ov[illegible] their operational problems, even so the[illegible] will be a gap and consumption wou[illegible] have increased to 2.8 million tonnes [illegible] not three million tonnes.

There will be a bunching of com[illegible]pletion of new schemes in 1977-78 wi[illegible] two coal-based units and two expansi[illegible]

nes yielding additional capacity of 00 tonnes. The coal based units take some time to settledown and it not be possible to raise output to than 2.6 million tonnes in 1977-78, consumption would have risen er to 3.3 million tonnes. In 1978-79 tional capacity of 2.6 million tonnes xpected to be created with the comion of the Japanese sponsored pros and the new schemes in the private joint sectors. But some project may take shape until 1979-80 and the acity achieved in the aggregate may six million tonnes. The contribution n two million tonnes of new capacity y not be more than 300,000 tonnes l on the most optimistic reckoning output of 3.3 million tonnes of nitro- may be reached in the last year of current Plan against the target of four llion tonnes. If the efficiency of rking is only 70 per cent, the actual tput may not be 3.1 million tonnes d consumption may have risen to 3.8 llion tonnes.

It is interesting therefore to note at the present gap in availability of 1.3 illion tonnes can be reduced only with e intensive use of capacity already isting and newly created in 1975-76 nd thereafter there will be compulon to import regularly 500,000 tonnes f nitrogen every year. The deficit will crease to 700,000 tonnes or more anually, if the operating efficieney does not nprove and new plants do not behave roperly. The authorities should therefore establish a central agency for supervising the functioning of the existing and ewly completed units in the public and rivate sectors. It would be worthwhile o creat the necessary organisation and carry out maintenance repairs and debottlenecking operations on a systematic basis as a 10 per cent increase in operating efficiency will enable a saving in imports of Rs 150 crores.

The government is aware of the difficulties encountered by different managements and some efforts are being made to overcome deficiencies. What is however needed is tangible gain and an avoidable delay in the schedule of construction of new schemes. With only four million tonnes of capacity likely to be available before March 1978 serious difficulties will be encountered in the later years if the projects under implementation and contemplation accounting for 2.5 million tonnes of capacity do not fructify in 1978-79. The let up in planning in 1976-77 and 1977-78 will prove to be costly if for any reason there is a resumption of the earlier rate of growth in consumption and farmers get accustomed to higher cost inputs. The developments on the fertiliser front need to be watched closely and corrective action should be taken without delay for avoiding heavy expenditure in foreign exchange on imports.

Distribution needs more attention

WHILE MOVING the Finance Bill in the Lok Sabha on April 30, Mr C. Subramaniam, the Finance minister, expressed satisfaction at the declining trend of prices in the country and he remarked that, ultimately, higher production was the only solution to check effectively the inflationary conditions. More production is, of course, important but it is also essential to give proper attention to the problems of distribution. New Delhi's approach to this question so far has been influenced more by ideology and *ad hocism* than by practical considerations, and, as a result, the consumer has suffered from high prices and severe shortage of essential commodities.

In this context, the resolutions adopted at the recent annual meeting of the Federation of Indian Chambers of Commerce and Industry on the distribution system are of considerable significance. The FICCI expressed regret at the fact that in so sensitive an item as foodgrains, the government at the centre and in the states had been frequently changing policies especially in regard to procurement, movement and distribution of wheat. The FICCI said that "while the private trade channels have unjusfiably suffered in reputation as well as in eking out a livelihood, the consumers are subject to the vagaries of unstable policies". It was suggested that there should be free intra and inter-state movement of foodgrains to eliminate price differentials between one area and another, which had led to considerable imbalances and malpractices; and that whenever free movement was curtailed or banned for one reason or the other, the services of private trade should be fully utilised both with regard to procurement and distribution by state agencies. There is certainly a strong case for utilising the experience and expertise available with the private trade but, at the same time, the latter has a responsibility to ensure that it always plays fair.

Commercial organisations hitherto have not taken much interest in enforcing discipline among their constituents so as to ensure that they do not take advantage of scarcity conditions or indulge in other anti-social practices. It is true that these organisations, being of a voluntary character, have some limitations in applying sanctions against erring members. Even so, they should try to create a climate in which anti-social activities will find difficult to thrive. The FICCI's resolution said that "manufacturers, wholesalers and retailers should refrain from charging higher prices when temporary shortage of any commodity occurs" and that "voluntary discipline in this respect is of highest importance". It is necessary for all business organisations to make earnest efforts to implement this resolution though it is not going to be easy.

As regards the imported materials, the FICCI suggested that representatives of industry and trade should be associated with the Price Review Committee which dealt with the policies regarding procurement, pricing and distribution of imported raw materials. But the mere association of the representatives of industry and trade with the Price Review Committee is not going to be of

much use unless the government is prepared to heed their advice. New Delhi does not seem to realise that it is not possible for any body of officials, however efficient they are, to acquaint themselves thoroughiy and competently with all the intricacies of the international trade. The fact that in the last year our state trading organisations were burdened with huge stocks of various kinds of imported materials provides a glaring instance of their inability to adjust themselves promptly and correctly to the requirements of the changing economic situation in India and abroad. It is therefore desirable that the state trading agencies should be receptive to the constructive suggestions coming from responsible organisations of industry and trade.

In the last five years the role of the state trading agencies in the import trade has been substantially enlarged, the value of the licences issued to them being Rs 446.6 crores in 1970-71 and Rs 948.3 crores in 1973-74. In 1974-75 (April to October) these agencies secured licences valued at Rs 607.3 crores compared to Rs 549.8 crores in the similar period of the previous year. On the other hand, the licences issued to established importers have been drastically reduced. But the bigger role for state trading agencies does not seem to have been of much advantage to industry. As the FICCI said, "The present system of allocation of scarce raw materials that are imported is not calculated to help the production schedule of the industries. The required raw materials are not made available at the appropriate time. Some times they are not of the desired specifications. Besides, the prices charged by the canalising agencies are often arbitrary. In some cases prices are kept high on the ground of 'mopping-up" of the profits. Usually, they are maintained far above the current international prices on the plea that those items were acquired earlier at higher costs".

It was also suggested that the rates of commission charged by the governmental agencies called for rationalisation so that they could be brought down to a reasonable level. Further, it was recommended that the actual users should not be compelled to take the entire supplies at a time and that the allotment should be made to them in instalments. Another proposal was that if the state trading agencies could not supply the materials in a reasonable time, they should permit the parties themselves to make their own arrangements for getting supplies of those items. The procedures followed by the state trading agencies were described as "cumbersome and complicated" which called for "thorough streamlining."

Many of these recommendations have been made before both by the FICCI and by other business organisations. Nevertheless, these suggestions needed reiteration in view of the imperative need to step up production and keep down costs. The high level of corporate taxation and the severity of the credit squeeze have strained the financial position of many industries and it is all the more important therefore that they should not be put to hardship because of the inability of the state trading agencies to ensure the timely supply of raw materials at fair prices.

Mrs Gandhi has urged industry to start a movement to improve the quality of goods and serv[ices]. In fact, many industries are alr[eady] aware of the importance of impro[ving] the quality of their production but [their] efforts can succeed only when official policies also become const[ruc]tive and are really conducive to [step] up production and productivity. [The] Economic Survey for 1974-75, is[sued] by the government of India, has [said] that "given the structural rigiditie[s of] our economy, a really effective pu[blic] distribution system, covering a l[arge] number of articles of mass consumpt[ion] will take some time to materialise; [but] in the short run, a more realistic s[tra]tegy would be to concentrate all the at[ten]tion on a few basic commodities s[uch] as foodgrains, sugar, kerosene, va[nas]pati and controlled cloth". The Su[rvey] has added that in all these commodi[ties] there is "very considerable scope" [for] streamlining the present arrangem[ents] for public distributlon. The implem[en]tation of the FICCI's proposals in reg[ard] to the distribution of both imported [and] indigenous goods should be of pract[ical] help to the government in its eff[orts] to improve production and distribut[ion] as well as in keeping prices at reas[on]able levels.

Subsidising liquor?

ONE MAY not agree with the estimate of the Public Accounts Committee (PAC) in its 172nd report that by granting remission of customs duty on the 1.07 lakh tonnes of ethyl alcohol imported during the period January 1968, and November 1974, the government abandoned such a large customs revenue at Rs 1,015.49 crores. But some of the other observations of the committee about these imports, particularly in 1972-73, deserve pertinent notice.

The committee has asserted that the above imports ought to have been subjected to a customs levy of Rs 60 per litre or 200 per cent *ad volorem*, whichever is higher, under item 22(4) ICT, as they were effected in the form of ethyl alcohol. The loss of revenue consequently should have been assessed as such before taking the decision ab[out] remission of duty. The contention [of] the ministry of Finance that since [the] imported stuff was to be used as ind[us]trial raw material, the revenue foreg[one] was assessed on the basis of the l[evy] under item 24(6) ICT (60 per cent [ad] *valoren*—approximately 80 paise [per] litre) has been rejected by the co[m]mittee. Technically, the committee [was] perfectly right in making the above [as]sertion. But the distinction made [by] the ministry of Finance betweeu et[hyl] alcohol and denatured spirit, into wh[ich] most of the imports were to be conve[rt]ed before use by the importing c[on]cerns—a stipulation had been made [for] this purpose in the import licences c[on]cerned—was not wholly unjustified. T[he] levy under item 22(4) ICT apparen[tly] would have made the imports prohi[bi]tive for industrial uses. The importe[rs] therefore, could not have gone in for the[m].

The three cargoes which have be[en]

ifically investigated by the committee, relating to the year 1972-73, in-ed 20,000 tonnes imports by Alkali mical Corporation, under authorisa- from the West Bengal government, two instalments and 10,000 tonnes orts by Synthetics and Chemicals ited.

The Alkali Chemical Corporation orted ethyl alcohol on behalf of government of West Bengal as it was major consumer of the product in state; part of the imports, of course, e to be made available by it to other sumers under the direction of the e government.

The committee's findings reveal that only the imports effected on behalf the government of West Bengal were t denatured, as required in the order nting exemption from customs duty, t also as many as 28.20 lakh litres out these imports were diverted for the nufacture of potable liquor without rmission being sought from the central vernment. Further, of the exemptions om duty granted to these two cargoes, e first was authorised by the Finance cretary himself and only the second as put up for decision by the inister.

A more disconcerting fact about ese imports, however, is that the committee has not been told whether duty nder item 22(4) ICT has been realised n the quantum diverted for the manu-acture of portable liquor. On diver-ions out of the 1972-73 imports, the uty has been assessed around Rs 22.98 rores. Another diversion has been oted by the committee out of the 1973-74 imports by the West Bengal government—to the extent of 2.94 lakh litres—on which the duty works out to Rs 2.35 crores.

Demands in both the cases are stated to have been made by the customs authorities, but they have been contested by the West Bengal government. Incidentally, no demand under the penal provisions of the Imports (Control) Order has been made as yet, presumably pending adjudication of the case by the Collector of Customs, Calcutta. Meanwhile, the West Bengal government has offered to replenish the diverted stocks.

The facts brought out by the committee in regard to the imports by Synthetics and Chemicals Ltd. are even more disturbing. These imports, it has been pointed out, were not only not transported from Kandla, (the port through which they were effected) to Bareilly, (the place where the synthetic rubber factory of Synthetics and Chemicals is located) for nearly 18 months but they also gained in weight with the passage of time!

The revelation made before the committee by the Railway Board that no indents for tank wagons were placed for the movement from Kandla all through this period and also the subsequent plea of the importing concern that it should be allowed to re-export the stuff or divert it to other uses, as it was not then required by it in view of the adequate availability from indigenous sources, are enough justifications for the committee's conclusion that the imports were effected for speculative purposes.

The rejection by the committee of the other ground put forth by the importing concern that it failed to make use of the imported material because of a case filed by it in the Allahabad High Court against the vend fee on indigenous industrial alcohol too is not unwarranted. As the committee has observed, it made it all the more necessary that the importers should have expeditiously used the material which had been brought in at a time when the local availability was inadequate for the normal utilisation of the production facilities at Bareilly.

All this suggests that at least part of the imports effected on behalf of the West Bengal government were diverted for unauthorised uses and that the use of imports by Synthetics and Chemicals is suspect. As the imports were effected in the form of ethyl alcohol and they touched the Indian shores in that form, at least that portion of imports which was used for the manufacture of potable liquor ought to have been subjected to the customs levy under item 22(4) ICT.

Further, penal provisions of the Import (Control) Order should have been invoked for the use of the imported material for unauthorised purposes. The offer of the West Bengal government that it is prepared to replenish the portion of imports diverted for the manufacture of potable liquor does not mitigate the offence committed.

The plea of the PAC for expeditious and thorough inquiries into the two matters needs to be endorsed. In the case of West Bengal, the inquiry has been called for about the authorisation without permission from the central government of part of the imported alcohol for the manufacture of potable liquor and the failure of the state authorities to see that the stipulation in the import licences about denaturisation of imports was adhered to.

There is apparently need to streamline the enforcement machinery as well as to establish a close coordination between this machinery and the customs authorities. In the case of Synthetics and Chemicals, an inquiry by the Central Bureau of Investigation has been suggested to see whether there was blackmarketing in or misuse of imported alcohol. Only inquiries can establish that no scandalous deals were involved in the use of the material on bringing which from abroad sizeable foreign exchange had to be spent.

With a view to obviating the misuse of powers delegated to the ministry of Finance by Parliament to grant exemptions from customs levy to particular items of import, the committee has rightly stressed that when cent per cent relief is sought to be provided, Parliament ought to be taken into confidence in advance. In fact, this should be the case even when substantial portions of duties are waived. There is also need for having a fresh look at the customs tariffs which, evidently, can be easily manipulated.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Credit Squeeze • Coal Plans • Assam Oil • Centre's Investments

F THE observations of the minister for Finance, Mr C. Subramaniam, in his reply o the debate on the discussion of this ear's finance bill are any indication, he rigorous restrictions on credit expansion, which were introduced last year, are ikely to be continued during the whole of he current year. The Finance minister nade it abundantly clear that the government was according the highest priority o the containing of the priceline which nas shown a welcome trend after October ast when the wholesale prices index started receding slowly.

Mr Subramaniam justified the continuance of rigorous credit control on the ground that although the uptrend in prices had been halted and even some decline have been witnessed in the recent past, the inflationary potential of the economy as well as the impact of global inflation had not been completely eliminated. Besides credit restrictions, the thrust of other two main prongs of the anti-inflationary package, Mr Subramaniam said, was proposed to be maintained. These are: (i) financial discipline by the various central ministries and the state governments; and (ii) curbing the role of black money in the economy.

mass consumption goods

Another major decision of the government which was vigorously being implemented, the Finance minister said, was augmenting the supply of mass consumption goods and the removal of such hurdles as power and raw material shortages in the way of achieving this objective. He reiterated that the increased allocations in the current year's Plan for the strengthening of the power, irrigation and some other key sectors of the economy would go a long way in stabilising the situation. The deficiencies in the two major areas of development, namely, power and food, he asserted, were being rectified expeditiously.

Another important revelation made by Mr Subramaniam was that the current year's target for coal production had been fixed at 100 million tonnes. Earlier it was thought that attempts would be made to raise the output of coal this year to about 98 million tonnes.

super-power plants

Mr Subramaniam also disclosed that the World Bank had responded favourably to the programme of setting up super-power thermal stations at coal pitheads. The work on one of these stations would be taken up this year itself, on two more stations next year and on another two in 1977-78. The hydel and nuclear power programmes, he assured, however, would not be affected by the plan to establish super-power thermal stations at coal pitheads.

Referring to the criticism about the impact of this year's taxation on the bidi industry, Mr Subramaniam assured that he would again look into this matter. He hoped to provide some relief to the bidi industry through simplification of the procedures in regard to the excise duty on tobacco.

* *

The annual report of the department of coal in the ministry of Energy has thrown some light on the ambitious programme that the union government has planned to raise the production of coal during the next 15 years. Whereas attempts are to be made to raise coal output by the end of the current Plan period, i.e. 1978-79, to at least 135 million tonnes, the production potential proposed to be developed by the end of 1990-91 is 340 million tonnes.

Work on the identification of some of the sixth Plan (1979-80/1984-85) projects with long gestation periods is envisaged to be undertaken in the very near future. Two major steps which have already been decided upon are the development of the Singrauli coal field, in collaboration with the Soviet Union, to yield about 45 million tonnes by 1990-91 and the reconstruction of the coking coal mines, in collaboration with Poland, in three stages to raise the output of coking coal in line with the requirements of steel industry. A major portion of this reconstruction work is expected to be completed by 1983-84.

Efforts are also proposed to be made to reduce the dependence of the steel industry on the conventional metallurgical coke. A Rs 3.5 crores formed coke plant is being set up at Talcher to manufacture this type of coke which will replace to some extent the use of conventional metallurgical coke.

Another important development in the coal industry which is being attempted aims at reducing the demand for firewood and kerosene as domestic fuel. A Rs 7 crores low temperature carbonisation plant is being put up at Ramakrishnapur in Andhra Pradesh.

* *

If the production of crude oil in Assam exceeds 5.3 million tonnes per annum by the end of the current decade, the capacities of the Gauhati refinery and the Bongaigaon refinery and petrochemicals complex may be expanded to 1.1 million tonnes and 1.15 million tonnes, respectively. The present licensed capacities of the two projects are 0.8 million tonnes. and one million tonnes. According to the latest assessment, the Assam oilfields of both Oil India and the Oil and Natural Gas Commission are expected to yield about 5.3 million tonnes crude oil a year by 1977-78. Oil India currently

produces about 3.08 million tonnes crude and the ONGC (from its Assam oilfields) another 1.1 million tonnes. (The total output of the ONGC, of course, is around 4.5 million tonnes; the balance output comes from the Gujarat fields).

The 5.3 million tonnes output in Assam in 1977-78, it is felt, will be sufficient to feed the refineries based on this crude oil — Digboi (0.5 million tonnes), Gauhati (0.8 million tonnes), Bongaigaon (one million tonnes—1977 ownwards) and Barauni (three million tonnes).

The Bongaigaon refinery and petrochemicals complex, which was approved for investment in 1972-73, is now expected to be completed in two stages by 1978-79. The refinery is likely to be commissioned in 1977 and the petrochemicals unit about a year later.

expension of scope

The delay of about two years in the commissioning of this project is attributed primarily to the expansion in its scope effected in 1973-74. When the project was approved in 1972-73, it was envisaged to consist of five units;—(i) a crude distillation unit; (ii) a kerosene treating unit; (iii) an xylenes complex, (iv) a DMT plant; and (v) a polyester fibre unit. In 1973-74, it was felt that in view of the increased demand for middle distillates, the possibility of making a better use of LSHS and the need for increasing the profitability of the complex, it should be expanded to include two additional plants—(i) a delayed coking plant (about 450,000 tonnes capacity) and (ii) a coke calcination plant (60,000 tonnes capacity). At about this stage it was also felt desirable that the complex should have a captive power plant as power from the Assam State Electricity Board grid would be inadequate and electricity had to be ensured to the Bongaigaon complex without interruption. The project authorities, therefore, were entrusted with the investigation of the feasibility of installing a power plant. This unit has been approved finally only recently.

Owing to the above developments, the civil construction work on the project has been started only towards the end of 1974. The work, however, is now gathering momentum. Not only the civil construction work has been taken up but also the work on entering into collaboration arrangements with competent engineering firms for the setting up of the refinery and the petrochemicals complex.

The total crude oil production in the country during the current financial year is expected to be arond 8.4 million tonnes. Whereas no increase is expected in the output of Oil India from the last year's level of 3.08 million tonnes, that of the ONGC may go up to as much as 5.36 million tonnes from 4.53 million tonnes.

* *

The biggest beneficiary of central government investment during the five years to March 31, 1974, has been the state of Bihar. During this period, central investments in this state went up from Rs 621.2 crores to as much as Rs 1,468.3 crores—an increase of Rs 847.1 crores.

The next biggest increase in central investments in these five years occured in West Bengal. The investments in this state went up from Rs 411.4 crores to Rs 650.2 crores. Madhya Pradesh came third with an increase of Rs 186.3 crores. It was followed by Gujarat (Rs 163.1 crores), Andhra Pradesh (Rs 116.1 crores) and Maharashtra and Tamil Nadu (both Rs 113 crores).

The only state in which central investments showed a decline in the above five years was Himachal Pradesh. The central investments here fell from Rs 1.7 crores on March 31, 1969, to Rs 0.6 crores on March 31, 1974. Amongst the smallest beneficiaries were the states of Goa, Haryana, Jammu and Kashmir, and Punjab. The central investments in these states went up in the above five years by only Rs 2.8 crores, Rs 3.8 crores, Rs 6,2 crores and Rs 9.9 crores, respectively.

The following table gives comparative increases in the central investments in the various states:

Central Investment (Gross Block) in Various States
(as on 31.3.1969 and 31.3.1974)

(Rs crores)

Name of the state	As on 31.3.1969	As on 31.3.1974	Growth
Andhra Pradesh	86.9	203.0	116.1
Assam	64.1	157.2	93.1
Bihar	621.2	1468.3	847.1
Delhi	12.0	55.2	43.2
Gujarat	86.7	249.8	163.1
Haryana	7.1	10.9	3.8
Himachal Pradesh	1.7	0.6	—1.1
Kerala	101.4	173.2	71.8
Madhya Pradesh	543.2	729.5	186.3
Maharashtra	100.9	203.9	103.0
Mysore	79·6	160.2	80.6
Orissa	423.2	530.6	107.7
Punjab	32.6	42.5	9.9
Rajasthan	27.2	115.5	88.3
Tamil Nadu	262.2	365.2	103.0
Uttar Pradesh	137.0	217.5	80.5
West Bengal	411.4	650.2	238.8
J & K	—	6.2	6.2
Goa	—	2.8	2.8
Unallocated	464.7*	1032.6*	567.9
Total	3463.1	6375.6	2912.5

* Includes mainly (a) the value of aircraft, ships etc. not assignable in any particular state and (b) the value of the other miscellaneous assets such as exploration equipments, storage installation, etc. state-wise figures for which are not available.

Norms for follow-up of industrial advances

B. Ramachandra Rao

THE RESERVE Bank of India last year set up a study group headed by Mr P.L. Tandon to examine the various aspects relating to the follow-up and supervision by banks of the credit extended by them to the industrial sector. In its interim report, the study group has indicated broad guidelines to be followed by the banks in respect of inventory norms. Norms have been suggested by the study group only for some of the major industries. It is expected that as regards other industries, banks would endeavour to observe the purpose and spirit behind the norms suggested in the note while appraising the relative credit proposals.

The study group suggested norms of inventories and receivables for the following: (a) Cotton textiles, (b) synthetic textiles, (c) jute textiles, (d) pharmaceuticals, (f) rubber products, (g) vanaspati, (h) paper, (l) light engineering, (j) medium engineering and (k) fertilisers. The norms are expressed in terms of number of months. Raw materials are expressed as so many months' consumption and finished goods and receivables are expressed as so many months' sales. These norms represent only the average levels. Individual items of finished goods and receivables could be for different periods which could exceed the indicated norms so long as the overall average level of finished goods and receivables does not exceed the amounts as determined in terms of the norm.

valuable feed-back

The study group expects to get valuable feed back from industry and banks in the next few months on the application of the above norms so that it could help them in finalising their views.

One of the terms of reference of the study group is to make recommendations for obtaining periodical forecasts from borrowers of their (a) business/production plans and (b) credit needs related to such plans. The objective is that the data obtained by the banks should facilitate the gearing of bank credit to a defined production plan of the borrower. The study group has accordingly considered the question of information and requirements for purposes of appraisal of bank credit and follow-up and has devised certain forms for the purpose.

The study group has recommended to the Reserve Bank, that it would be desirable if a number of banks could try out the forms on an experimental basis on some of their customers who would be willing to cooperate in this exercise. The intention is that in the context of significant changes envisaged in the existing procedures, the problems that may arise in implementing the new scheme should be properly identified and solutions found, so that the switch-over to the new system may be smooth.

framing guidelines

The Reserve Bank advised banks with deposits of Rs 50 crores and above on December 14, 1974, that they should obtain the necessary information in the forms prescribed by the study group to frame guidelines for follow-up of bank credit from selected borrowers on an experimental basis. Each bank was to try them on at least five to ten borrowers who would be willing to co-operate in the exercise on a voluntary basis. Each bank was welcome to cover more borrowers. It is felt that as the exercise is intended to lead to a better understanding of the borrowers' credit requirements by the bankers, the borrowers should have no hesitation to agree to furnish the data.

The borrowers are expected to compile the data in the forms with reference to the actual/estimates for the October-December 1974 quarter and the budget for January-March 1975 quarter. They should again fill up the forms in the latter half of March 1975, furnishing the actual/estimates for January-March 1975 quarters and the budget for April-June 1975 quarter.

One of the tasks of the study group is to suggest guidelines for commercial banks to follow-up and supervise credit from the point of view of ensuring proper end-use of funds and keeping a watch on the safety of the advances and to suggest the type of operational data and other information that may be obtained by banks periodically from borrowers.

new approach

In this context, the group is attempting to suggest a new approach to appraisal and follow up of bank credit with a view to gearing bank credit to the borrower's production plan and the anticipated gap in his resources for implementing the plan, and introducing a system of review of the performance of the borrowers at shorter intervals.

While the study group is examining the subject in detail and from different angles and will suggest an integrated scheme in the main report considering the importance of the subject, it has devised the forms in regard to the operational and financial data which may be obtained by banks from borrowers.

The group has considered the question of the coverage of the new follow-up scheme and has come to the conclusion that it is not feasible to introduce the proposed system immediately in respect of all or even larger accounts for the following reasons.

(a) Discussions amongst members and with the senior operating officials in some banks reveal that certain basic difficulties of the banking system will have to be reckoned with. The operating staff dealing with advances will

require to be trained in administering the new system, if this has to be effective. There is also need for evolving suitable operating instructions to enable the staff to utilise the forms being recommended by the study group to the maximum benefit.

(b) There is need for understanding the concepts involved from the borrowers' side too. Used as they are to the long established practice of submitting stock statements and certain other minimal information, the borrowers may require some time to switch over to the more meaningful system the group has in view.

(c) The study group's discussions have revealed some other problem areas in administering the new system as, for example, in dealing with multi-product and multi-locational companies.

(d) The organisational structure to administer credit differs from bank to bank, and the levels at which these forms will have to be received and examined vary widely. Procedures will have to be evolved in each bank to suit its requirements for proper implementation of the new system.

While in the long run the data would form the basis for determining the credit needs and regulating the drawings, in the experimental stage, the objective should be limited to testing the feasibility of obtaining and processing the data and identifying the problems that may arise both at the borrowers' and the bankers' levels in switching over to the new system. The aim should also be to monitor the operation of this system in order to meet problems as and when they arise.

In designing forms for appraising bank credit and follow-up, the objective has been to obtain data which would ensure that the amount of credit requested is realistic in relation to the needs of business operations and is used for approved purposes. Consequently, having regard to the many variables in the current business environment, the study group has come to the conclusion that it will be more practicable to relate such needs to a period for which the borrowers' operational plans (in terms of production, sales inventories, costs and profits) could be projected more precisely. The group has, therefore formulated its recommendations in terms of a scheme which requires the borrower to furnish detailed operational plans for a quarter rather than at longer intervals. This would also facilitate reviews of bank credit in relation to such short-term projections. The proposed system provides for a self-disciplining mechanism for the borrower as he will have to furnish explanations for variations between projections and actuals for each quarter.

The study group has suggested the following forms, which are a part of an integrated scheme for review of bank credit and follow up on an experimental basis:

Form I— Projected quarterly operational plan, and estimates of current assets and current liabilities.

Form II—Projected quarterly funds-flow.

The two forms (I and II) should normally be sufficient for the purpose in view. However, there may be cases of difficult accounts calling for a closer monitoring. In such cases, it may b[e] advisable also to call for cash flo[w] statements (Form III) with monthly pro[-] jections.

Form I is a quarterly operatin[g] statement with Part A and Part B. Pa[rt] A consists of items from income state[-] ments such as net sales, total cost o[f] sales, gross profit, other overheads operating profit, other income/expense and profit before taxation. These ar[e] shown below (Form I, Part A). Part [B] is an estimate of current assets an[d] current liabilities. Items of curren[t] assets are set against items of curren[t] liabilities. Data in this form should b[e] submitted at least one week before th[e] commencement of the next quarter Items of the current assets and liabilities are shown below (Form I, Part B):

Form II is a quarterly fund-flow statement and the columns are the same as in Part A of Form I. In this statement sources as well as uses are projected item-wise. Items of long-term nature and short-term nature both under sources and uses are shown separately to know the nature of sources and uses in each case.

Form III is a quarterly cash flow statement giving the projections of cash

Form I (Part A)

Actuals for the previous year	Projections for the current year	Previous quarter ended......		
		Budget	Actuals	Difference
(1)	(2)	(3)	(4)	(5)

Current quarter ending	Next quarter ending	Subsequent quarter ending
(6)	(7)	(8)

Form I (Part B)

Previous quarter ended..........			Current quarter ending.........	Next quarter ending......	Susequent quarter ending..........
Budget	Actuals	Difference	Actuals/Estimate	Budget	Budget
(1)	(2)	(3)	(4)	(5)	(6)

Form III

Previous quarter ended..........			Current quarter ending........	Next quarter ending......			Subsequent quarter ending...........
Budget	Actuals	Difference	Actual/ Estimate	Budget			Budget
				Month I	Month II	Month III	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

flows and cash outflows against each em and showing the cash deficit or sh surplus position in each quarter.

All these three forms contain pro-ctions regarding profitability, liquidity osition, sources and uses of funds both n long-term and short-term basis and ash inflow and outflow situation. There also provision to show the variance etween the budgeted figures and the ctuals. This will help to know the easons for the wide variation if any n each case and corrective steps may e taken to set right the situation for the ext quarter.

When the data is called for in the aforesaid three forms, the borrowers will be put in a straitjacket of financial discipline as the banker will be watching the performance as projected in the statements. The borrowers will be forced to achieve the results as planned for the future quarters. From Form I, the banker can watch the profitability trend and liquidity position over each quarter. Form II will help the banker to watch the application of funds both for long-term purposes and short-term purposes and by this the end-use of funds can be ensured and controlled. Form III is like the cash budget month-wise and the banker can study how cash receipts and payments are projected and when exactly there will be need for cash or there will be a surplus situation. The totality study of these statements will give full control to the banker over the entire operations of the borrower after the credit needs are met in relations to the business or production plans.

Though the borrowers may find it difficult to submit the data for follow-up action by banks in these forms, ultimately it will be in their own interest as it is going to be a rewarding exercise to make the projections a reality.

Paper famine : need for a wider raw material base

J.N. Lakshmanan

THE WARNING of a paper famine first came as early as 1971, and newsprint prices that year registered significant increases. The average size of a newspaper in 1951 was seven pages, in 1961 it was 12 pages, and in 1971 it came down to six pages. Since 1973, newsprint prices in North America jumped from $187 a tonne to between $250 and $275. For the developing countries costs are even higher since they lack the cushion of long-term bulk contracts. Many Asian nations are reported to have been paying $400 a tonne for newsprint this summer with Indonesia paying as much as $600. Recently the USSR is reported to have agreed to supply Afghanistan at prices in the $700 range.

Taking into account the expansion of elementary and secondary education during the fifth Plan, the government has initiated a "crash programme" for stepping up the output of paper and issued licences for the expansion of existing units of 900,000 tonnes capacity to produce an additional 100,000 tonnes at a further capital investment of Rs 20 crores. A look at the performance of the paper mills reveals that production of 8,03,000 tonnes in 1972 came from 63 mills against a total installed capacity of 9,62,000 tonnes which is not enough. The table alongside gives the shortfalls in production of some of the (selected) paper mills against their installed capacity in 1972.

The list is only illustrative and not exhaustive. The position deteriorated since the end of 1972 due to the following factors, both in hand-made paper industry and in mechanised factories.

1. Old techniques in production,

2. Depending on traditional raw materials only;

3. Not adopting modern vomiting digestors instead of the traditional soaking process;

4. A number of mills could not obtain their requirements of coal mainly because of railway bottlenecks;

5. Shortage of power (the larger mills suffered less because they had their own generating sets);

6. Shortage of water;

7. Some of them suffered from strikes; and

8. Shortage of supplies of adequate quantities of cellulosic raw materials.

Capacity Use in Select Paper Mills

Paper mill	Capacity per year (in tonnes)	Production in 1972 (in tonnes)
1. India Paper Pulp Co. Ltd, West Bengal	23,000	15,641
2. Bengal Paper Mills	50,000	37,731
3. Star Paper Mills Ltd, UP	39,200	31,864
4. Orient Paper Mills Ltd, Orissa	76,000	62,422
5. Ballarpur Paper and Straw Board Mills Ltd, Maharashtra	69,000	57,571
6. Orient Paper Mills, MP	85,000	70,640
7. Sirpur Paper Mills, AP	40,000	34,305
8. Sun Paper Mills Ltd, Tamil Nadu	15,000	7,438

Source: *Hindu* Survey 1973.

To develop hand-made paper industry, the All India Village Industries Commission provided financial assistance to co-operative societies, artisans and to registered institutions. Some assistance is also given to selected schools for training students in paper making. The problems of industrial units largely continues.

Paper industry essentially comes under the heavy investment sectors since a unit must have an annual capacity of 50,000 to 60,000 tonnes to be really viable. There is also the problem of raw materials consisting of bamboo, bagasse and cellulosic fibres. There are problems relating to the availability of paper making machinery and suitable technological research and development. The industry has always been complaining of the inadequacy of fiscal incentives,

and a lack of pricing policy of the government.

The conventional raw material used for paper production is bamboo, but this has become a scarce commodity in the eastern region and caused a setback to the West Bengal paper mills. The raw materials that are used are now jute waste, grasses, straw rope waste, banana fibre, Rametha and Dapham barks. Special grades of paper and fancy papers are manufactured from these raw materials. The new project of Hindustan Paper Corporation is based on bamboo which would further aggravate the supply position.

There is thus a clear need for evolving a new strategy in respect of raw material utilisation for the further growth of the industry. Besides bamboo, mixed hardwood, eucalyptus and coniferous woods and agricultural residues like straws, baggasse and jute sticks can be utilised. So far jute sticks have not been utilised properly though some experiments were made in 1949 and 1959.

The scant attention paid to the adoption of a clear-cut strategy in respect of raw material utilisation both by the paper industry and the government has no justification as this problem has been there even from 1959-60. An FAO expert had estimated that the raw material requirement of the industry in India by 1975 would be four million tonnes. For this he recommended that it must be met by bamboo to the extent of 1.6 million tonnes, by various other woods to the extent of 1.1 million tonnes, by baggase 8,00,000 tonnes and by grasses and waste papers for the balance of the requirements.

Regarding jute sticks, only India Paper and Pulp Company did make and attempt to use this as raw material on a commercial basis in 1961, but no other factory tried to follow this experiment.

problem of machinery

Yet another problem of the industry is that of machinery. As it is, the country requires at least 50 per cent of its machinery, at a cost of around Rs 250 crores, to be imported as the indigenous availability of paper making machinery is not adequate. It would be better to import the equipment at low prices instead of going in for extensive indigenisation of new equipment. The saving in cost is estimated to be as high as 150 per cent over indigenous machinery.

Generally the per capita consumption of writing paper and newsprint is considered as a good indicator of the economic progress of the nation. The per capita consumption in India is as low as 1.4 kg as against 7 kg in Egypt, 16 kg in the USSR, 57 kg in Japan, 106 kg in the UK, and 285 kg in the USA.

Hand-made paper industry seems to have a large scope to partially meet the shortage of paper in the country. For this the Khadi and Village Industries Commission had introduced a three-pronged programme: (1) Production of high grade-paper to meet the needs of artists and engineers, cards, airmail paper, water mark and non-water mark permanent document paper for certificates, will deeds etc;

(2) Manufacture of technical paper such as filter pads, filter pulp and filter paper, album paper, archives paper, fibre boards and electrical insulation paper, and

(3) Fancy papers used for invitation and greeting cards, decorative paper, etc.

As these varieties have a distinct demand and cannot be manufactured easily by the large-scale industry, it is better to encourage hand-made paper industry to manufacture them. When compared to the investment of Rs 20,000 per worker in a large-scale paper mill, the hand made paper industry can employ one person with a capital of Rs 2,000. In view of widespread unemployment in the country, encouragement of hand-made paper is all the more desirable. To reduce the price and increase the marketability of this paper, it is necessary to adopt quality control methods and ensure timely delivery and economy in the cost of production.

stagnant production

The production of paper and paper boards in the last three years remained more or less stagnant at 7,91,165 tonnes in 1971-72, 8,25,000 tonnes in 1972-73, and 7,60,000 tonnes (estimated) in 1973-74. There are at present 59 paper mills with an annual installed capacity of 9,53,600 tonnes. The ministry of Industrial Development recently admitted that the progress of implementation of most of the new schemes are "not satisfactory" and that "it is not possible to indicate how much of the approved capacity will materialise by 1978-79." As there is a great deal of uncertainty about the growth of this industry, the government of India took following steps to overcome problems and to ensure that the production of this essential commodity keeps pace with the demand.

To maximise the production of paper which is in short supply the governme under the Essential Commodities A directed the paper mills to manufactu white printing paper up to at least 30 p cent of their production. Mills produci less than 20 tonnes a day are exempt from this order.

The government has restricted the u of paper in relation to advertisemen propaganda calendars, balance shee house magazines, greeting cards, etc.

The government has already provid various facilities for increasing and dive sifying production. For example the uti sation of non-conventional raw materia such as bagasse and hardwood is bei promoted by offering special rebate excise duty on their use.

The government permits the import certain items of finishing equipment whi are not produced in India. It is also t policy of the government to promote merit foreign, collaboration for the man facture of speciality paper.

new distribution system

A new distribution system has been pr posed and Hindustan Paper Corporatio will undertake the responsibility of mee the student community's demand for pape For this purpose the corporation wi have the authority to instruct mills to pr duce the required category of paper i prescribed quantities. It is also suppose to make a projection of future deman and plan advance capacities to meet i It hopes to make a profit of Rs 16.2 crore which it will utilise to further research an development facilities of the industry.

With the formation of the Hindusta Paper Corporation in 1970, the publi sector has made a debut into the industr The projects entrusted to it include th Nagaland pulp and paper project with a annual capacity of 30,000 tonnes, th Kerala newsprint project for the productio of 70,000 tonnes of newsprint and 10,00 tonnes of magazine paper at Velloor i Kottayam district, the pulp and paper pro ject in Nowgang district with an annua capacity of 80,000 tonnes of pulp and pa per and the Assam pulp and paper projec with a capacity of 80,000 tonnes. Th corporation will also acquire the financia and controlling interest in Mandya Na tional Paper Mills in Karnataka and th plans are to step up its rated capacity fron 10,000 tonnes to 18,000 tonnes in the nea future and later to 60,000 tonnes. A these projects will cost about Rs 200 crore

l are expected to be commissioned be-
e the end of the fifth Plan.

The FAO and the UN Development ogramme Committee in its report sub-tted recently has forecast a world paper d paper board shortage of more than million tonnes by 1978. According the report the hardest hit countries l be from developing areas who de-nd on imports. FAO estimates that ere is a need for 150 new mills in the next ur to five years with a capital investment of about 10 billion dollars in the industry. Since the developing world has a poor investment climate, world financial institutions should come forth with adequate assistance.

The World Bank could play a vital role by extending financial help for plantation of quick growing species like pines and eucalyptus which may become significant sources of pulpwood in the coming decade. This type of investment will also help to overcome balance of payment difficulties of the developing countries.

As the shortgage of paper including newsprint is seriously impeding our country's progress in many ways, the government should give greater attention to the problems of production and distribution. The industry, whether in public or private hands, should on its part make energetic efforts to step up production and implement the schemes of expansion expeditionsly.

What the future may demand of airports

London

Jossleyn Hennessy

I

Constant Growth of Air Traffic

AIR TRAVEL is an outgrowth of industrial civilisation, and part of the fabric of modern economic life. Its development has called for the creation of a technical and commercial infrastructure which has had progressively to be expanded and perfected, This process must continue. The airports have become essential to the world transport system, and, at the same time, noteworthy centres of economic activity. The choice of location of a new airport is a problem. Apart from the difficulties of finding a site, steps must be taken to minimise the inconvenience sufferd by local residents.

Air transport has become a full-scale

WINDOW ON THE WORLD

industrial activity since World War—II, and the world's airport have grown with it. In 1919, the six air carriers which founded the IATA (International Air Trancport Association) flew 3,500 passengers. In 1945, the first year of modern commercial operation. there were nine million travellers. Traffic has grown regularly since. In 1973, 478 million passengers were carried, and the forecast for 1980 is 900 million. of whom 300 million on international flights. These figures exclude Russian and Chinese airlines, which would raise the world figure to over one thousand million—and by 1990, this will have doubled again. Air freight before the war mainly consisted of the mail. It really began to expand only after 1960. The 2,000 million ton-kilometres of that year rose to 17,000 million in 1973, aud at this rate of growth will have expanded at least three-fold by 1980, and ten-fold by 1990.

Ports had to expand to accommodate bigger ships. In the same way, airports have had to improve and expand their facilities to handle ever large aircraft. It takes ten years to design and build an international airport. Many things can change during this period—airccaft tonnage, take-off and landing performance, the rate of increase of traffic and operating procedures, to list only a few. Allowance must be made for each.

In France, the introduction of larger planes by the world's airlines necessita. ted successive extensions of the main airport at Orly, known as Orly-Sud since Orly-Ouest was opened in 1972. Originally designed to handle six million passengers a year, Orly's traffic last year reached 14·4 million, close to saturation. The new Charles-de-Gaulle Airpart at Roissy was a 15-year project, designed not only to easy traffic at Orly, but also to absorb the traffic dealt with up to now at Le Bourget. The first terminal of the new airport was opened in March, with a capacity of eight to 10 million passenger a year, the same as Orly-Sud. It will have to absorb the whole of the increase in traffic up to 1979, when a second terminal is scheduled to enter service.

In most cases, there is not enough space to install more than one terminal in an airport, and a fresh location must be found. New York has three airports (La Guardia, Newark and Kenned[y]) but a fourth is now planned.

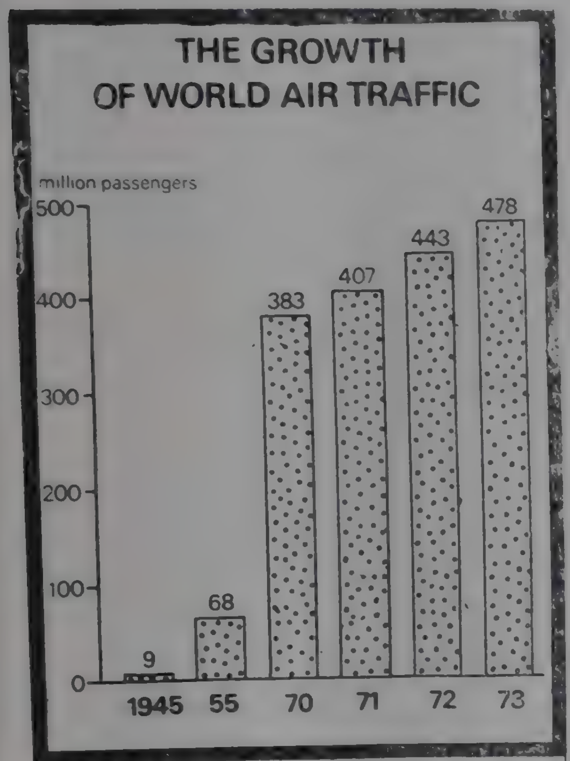
The British Airport Authority operat[es] Gatwick and Heathrow airports, but a[n]other is needed, and will be located [at] Maplin Sands on the Thames estuar[y]. Other new projects in hand includ[e] Galeao airport at Rio de Janeiro, Mira[bel] (Montreal) and Satolas (Lyons) while new sites are under investigatio[n] to relieve pressure on the existing ai[r]ports serving Amsterdam, Edinburg[h], Glasgow, Goteborg, Mombasa and For[mosa]. In West Germany, plans are o[n] the drawing board for a new airpo[rt] serving the Rhineland-Westphalia zon[e] capable of receiving 30 to 40 millio[n] passenger in the year 2000: its locatio[n] in the triangle formed by Munste[r], Bochum and Ham will make it a regiona[l] rather than an urban port. A Franco-German airport at Soufflеheim, north o[f] Strasburg, will serve both Alsace an[d] Baden-Wurtemberg. Tokyo has specia[l] problems. Four hundred aircraft move[ments] are recorded daily at Haneda whose capacity cannot be further stretch[ed]. A new airport was built at Narit[a] 18 months ago but it could not be open[ed] because of local opposition.

cope with traffic

An airport is its terminal buildin[g] first, and all its other physical characte[ristics] second. The terminal must bridg[e] the transition between two modes o[f] transport in the most effective way. Th[e] distance from automobile to plane mus[t] be the shortest possible. This has led t[o] variety of architectural solutions—som[e] in service, some still only blueprints. Prestige has also been a factor in architectural design, but in all cases there i[s] a central aim: to cope with ever-increasing air traffic.

Some air terminals are designed a[s] linear buildings with separate arrival an[d] departure levels, sometimes equippe[d] with pier extensions for embarkatio[n] and disembarkation through telescopi[c] gangways. There is a limit to the capacity of such terminals. Above an annua[l] flow of 10 million passengers, anothe[r] approach is necessary, because the ke[y] servicing points must not be so far apar[t] that the traveller is forced to cover in

linate distance within the building. e remedy is to provide access for air-aft to all sides of a circular terminal, andoning the conventional split bet-en the "city" and the "runway" faci-ies. This approach involves splitting e facilities for the three essential func-ns of the terminal on the different vels, respectively, car parking, aircraft rking and passenger processing. These rminals are usually referred to as oncentrated" because cars can be rked inside the building. A further iprovement is to install satellite ter-inals, so that more aircraft can be ndled simultaneously. This has been one at Charles-de-Gaulle, but experience ows that it reduces the control tower's eld of vision—a drawback aggravated



Source: I.A.T.A.

by problems of ground movement of air-craft and duty trucks, and is so sub-stantial that Charles-de-Gaulle—1 may be the last circular air terminal.

The most recent architectural innova-tion is the "concentrated liner terminal", which has the incidental advantage that it can be added to in segments as requir-ed. The design lays the terminals out in circular arcs on either side of a com-munications artery. The first such in-stallation is at Dallas-Worth (Texas). It is not to be free of drawbacks, since it uses much land, but is nevertheless envis-aged on a reduced scale for the further development of Charles-de-Gaulle. Each of eight terminals set in an arc will be able to process ten large aircraft "nose in" simultaneously. Each terminal or "module" will have four levels for a total floor area of 12.000 sq. m., and will be able to handle five million passen-gers a year. There will be some problems for pedestrians in these buildings, whose overall length will be about a mile and the necessary internal transport facilities are being planned. By contrast, passen-ger convenience will be maximised: a traveller will only have to cover a few yards from the car park to the check-in desk, before proceeding to his plane eitheron foot or in a special vehicle.

II

Centres of Economic Activity

With the growth of freight traffic, in-ternational airports are beginning to play the same role for their hinterland as ports, and are even starting to compete with one another.

The ground area devoted to cargo is increasing constantly: 10 hectares (25 acres) at Le Bourget, 60 at Orly. 80 at London airport, 100 at Frankfurt and no less than 290 at Roissy, An airport for cargo traffic alone is planned at Waco (Taxas), and another at Jehonville in the Belgian Ardennes, using a 2,800 metre runway, a legacy of NATO days. Jehonville lies between Paris and Frank-furt, and because it is in the centre of an industrialised region, it could offer stiff competition to the principal existing air-ports.

A sharp struggle for cargo is already going on between London, Paris, Ams-terdam and Frankfurt, each of which is about the same distance from the main industrial centres. This rivalry will in-tensify with the growth of air cargo char-tering. Cargo from North America would be flown into one or two focal European airports, where they would be broken up and sent on to their final des-tination, in some cases by air, using smaller planes, and in others by land. Competition is mainly based on the offer of advantageous rates, in particular land-ing fees, but Paris has a few other trumps up its sleeve to help it to recover the position of Europe's principal air-freight centre. Not only is Charles-de-Gaulle a capacious airport, but is open round the clock, an important factor in securing speedy goods transit, whereas Heathrow, Rhein-Main and Schipol close down dur-ing certain hours to avoid the aircraft noise which local residents would other-wise suffer. Orly is also subject to severe restrictions. Rhein-Main has two run-ways but no room for a third. In addi-tion, Charles-de-Gaulle is close to the Caronor road terminal, and is only a half day's lorry ride from the Channel and North Sea ports, By contrast. Hea-throw and Rhein-Main are linked to the railroad system: Charles-de-Gaulle is not.

At one time airports were viewed as integrated components of the air trans-port system, but more stress is now be-ing laid on promoting the economic deve-lopments of the area which they serve. Althoug the economic impact of air tran-sport is less readily apparent than in land or sea transport, an airport infras-tructure generates substantial economic activity. Some of it is geared to the air transport industry, such as restaurants, hotels and specialised stores. and more is linked to the operation of the airlines

The World's Main Airports
(million passengers in 1973)

Chicago (O'Hare)	35.5
Los Angeles	23.5
Atlanta	23.3
New York (Kennedy)	21.4
London (Heathrow)	20.3
San Francisco	16.6
Paris (Orly)	14.4
Miami	12.8
Tokyo (1)	12.2
Frankfurt	10.6
Washington (National)	10.3

(1) figure for 1972.

The World's Main Air Cargo Centers
(million tons handled in 1973)

New York (Kennedy)	916.8
Chicago (O'Hare)	656.1
Los Angeles	568.6
London (Heathrow)	454.7
Frankfurt	401
San Francisco	339
Miami	326.5
Tokyo (1)	280.8
Paris (Orly)	254.6
Atlanta	231.2
Amsterdam	215.1
Detroit (Metropol)	198.8

(1) figure for 1972.

themselves, for example, personnel train-ing facilities. Airports are also tourist attractions and some draw crowds of ex-cursionists.

Apart from their direct contribution to economic activity, airports often be-come the geographical centre of massive industrial complexes, beeause cost sav-ings arise from proximity to high-volume transport capacity. Examples include Chicago, Atlanta and Philadelphia. The type of industry attracted tends to use the airport terminal for product forward-ing, rather than for deliveries of raw material inputs. Air freight is dear and is justified for fragile, costly or perish-able merchandise. Location near an air-port is worthwhile whenever it is impor-tant to reduce the costs of transport. Most tend to be technologically advanc-

ed industries whose products have a high value-to-weight ratio—electronics, computer and aerospace components and chemical products. IBM's world distribution centre for spare parts is at Orly for the most rapid possible delivery to the many other airports where IBM centres have been located.

The connection between airports and industrial development has been much less marked in Europe than in the USA, but a trend is—emerging to create industries near existing or planned airports. A 130 hectare industrial zone has been installed at Roissy, fully equipped with urban facilities including its own telephone exchange, post office, banks, etc. Maplin Sands in the UK is going even further than this. It is on the coast, and will combine the facilities of an airport and an oil tanker port. Shannon airport in Ireland lost much business when jet aircraft were introduced but made up for it by opening a duty-free industrial zone.

spur to development

Airports can also spur regional development and unless the process is checked, lead to the creation of major urban centres. Their land-hunger is such that they must be installed in lightly populated areas, which are nevertheless not too far from the city which they are intended to serve. As a result, they become a driving force of urbanisation, since the transport facilities required are automatically present: an airport means improvement of the road network sometimes construction of a new super-highway, often a new railway line. The modernisation of ground transport benefits the airport's specific activity, but simultaneously it fosters the activity of the whole surrounding area by stimulating economic and demographic growth.

Because of the number of new jobs created, employee housing must be provided nearby. For Charles-de-Gaulle airport, the foci of urban development are planning in the Oise Valley, between Compiegne and Creil. and in the valley of the Marne. The locations were determined in part by concern not to overload communications by forcing passengers and personnel to use the same facilities. This made the area north of the airport an obvious candidate for residential development.

Another advantage was that the overall balance of industrial and urban development of the Parisian region required an eastward move, which explains the special consideration given to the development of the Marne: the need and the opportunity coincided.

III

Problems Created by Airports

The choice of site for an airport is determined by the availability of a large terrain close enough to a city to limit the amount of surface travel but far enough to reduce the nuisance potential. The tentacles of the suburbs continually reduce the volume of space available. Paris was lucky to have a 3,000-hectare tract available only 28 kilometres (less than 20 miles) from the centre. Charles-de-Gulle may be the last of the giant airports to be located close to a city. Lakes or other bodies of water —of which there are none near Paris— are now premium assets, since they can be used to build airports on piles in deep water, or in floating frames reasonably near the city to be served. effectively reducing their nuisance potential, but leaving room for extension. Several American cities are now thinking of building airports of this kind. There is a project for Los Angeles airport on the Pacific. Chicago, Cleveland and New Orleans are examining the possibility of using their respective lakes (Michigan, Erie and Pointchartrain). Some European cities are also thinking of coastal platforms, in particular Amsterdam. In Scandinavia, an air terminal is to be built on Salthom island with maritime runways over the Oersund. the channel between Denmark and Sweden. Four possible sites were considered for London's third airport before Foulness island was chosen. At Nice methods for extending the airport onto the Mediterranean are under review.

However, few cities are so located that a sea or lake airport is feasible. In most instances, they must bow to geographical or demographic constraints, and the new sites satisfying these conditions must be sought further and further away. At present. the distance between an airport and a city varies enormously depending on when the airport was built and the size of the city varies enormously, but is usually between 10 and 20 kilometres.

Often, airports are located much further out than this, in order to minimise noise, Arlanda is 40 kilometres away from Stockholm, which has a number of low-density areas in its surroundings. Mirabel will be 60 kilometres from Montreal, for the same reason. The installations in an airport must stay abreast of land transport facilities, to avoid traffic bottlenecks which mig put passengers off flying: the limitir conditions are the paradox of spendir more time getting to and from th airport than aloft, and the obsessiv fear of not arriving by checking-in tim This adds up to a triple market fo airport land communication faciliti passengers, airport staff and merchar dise. The transport network servir O'Hare airport (Chicago) carries 35,00 employees, 90,000 passengers and 1,60 tons of freight daily

The forecast for Charles-de-Gaul airport in the late 1980s is 70,00 employees, 120,000 passengers and 3.00 tons merchandise to be carried o super highways. Rail transport sometime disappointing, especially whe there are no direct connections. Th number of travellers at rush hours including airport employees and loca inhabitants, makes it no mean achieve ment for a baggage-laden traveller t catch his train at Heathrow, London' main airport, with a local populatio of one million. Nevertheless, a railroa despite its drawbacks, is one of th most satisfactory modes of transpor to and from an airport. Eight majo international airports have a direct line to the city, and railways are gainin acceptance. Some twenty projects fo introducing rail service are under study in different countries, including one fo a direct link between Heathrow and the London underground.

air pollution

Aircraft pollute the atmosphere and create noise, and the jet has been one more stage in the escalation of nuisances, which have intensified with the increase in engine power and growth of traffic. Much is being done by the airport authorities and the aircraft manufacturers to reduce nuisance levels. In the vicinity of airports. the problem is noise rather than the atmospheric pollution created by jet streams (which, the experts say, account for only one per cent of world pollution). Substantial reduction in atmospheric pollution have been achieved by using dual-flow reactors with a high rate of dilution. Although a Boing 747 creates as much pollution as 900 automobiles, it vents only a quarter as much black smoke as a first generation Carravelle. On balance, atmospheric pollution does more harm to the airport personnel than to local residents.

To mitigate noise, most airports prohibit arrivals or departures at certain times, govern the use of runways, and impose speed and direction of flight after take-off. This has not been enough. Local anti-noise committees have pro-

sted and other more efficient measures ave been introduced to calm the natural nger of the residents of the district. n airport's distance from the city is ot enongh in itself to prevent the rapid evelopment of residential neighbour-oods, and the tendency today is to freeze e use of the surrounding land. From is standpoint, Mirabel (Montreal) has een a success. Apart from the land ecessary for the airport platform, 30,000 ectares of surrounding land were bought p to limit an unwelcome inflow of opulation.

Since distance is no panacea and and purchase too costly, there remains ompulsory zoning, which is efficient if roperly applied. In France, three cate-ories of nuisance—subject zones (A, B, C) have been defined. A parafiscal tax s levied on airport users, and the pro-eeds are handed over to local residents to finance the repurchase of their dwellings (Zone A) or to find noise-proofing improvements with priority given to public buildings (Zone B). However, raising airport taxes to indemnify noise victims is only a palliative. The root of the problem must be dealt with by direct action to improve aircraft specifications. The most recent models have quieter reactor (e.g. Tristar, the DC-10, and the Airbus). But progress is expensive. To comply with the new standards to be in force in 1978, airlines will have to change the reactors on 3,000 to 4,000 jets—unless fuel prices rise so fast that they are obliged to replace gas-thirsty aircraft with others that cost less. Whatever the answer, it will cost money.

The design components of airport infrastructures are linked with the progress of the air transport industry, and will inevitably change, in particular as STOL and low-noise aircraft come into service. At the same time airports af the future will have to be integrated into urban infrastructures, as road and rail terminals and ports already have been. But in the case of airports, this calls for a new approach to urban development in which the airport is recognised as part of the fabric of a city's structure and not just treated as an inevitable nuisance.

Sources and acknowledgements: The foregoing summarises a special report in the latest issue of *Conjuncture*, the economic review published by the French Societe Generale, 29 Boulevard Haussman, 75009 Paris, France, and 105, Old Broad Street, London E.C. 2, but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Trade in commodities: as UK views it

A MEMORANDUM entitled "World Economic Interdependence and Trade in Commodities" was circulated by the British delegation at the Commonwealth heads of government meeting held at Kingston, Jamaica. Following is a summary of the memorandum:

The severity of world economic problems and the interdependence of national economies is such that solutions can only be found through cooperation. This interdependence is particularly marked in the production, trade and use of raw materials and food. All producing countries are also consumers, and most consumers produce some commodities. All countries are affected, though to varying extents, by market fluctuations. Many countries' balances of payments were dislocated not only by the oil price rise but also by the extremely sharp increase in prices of raw materials and food in 1973-74. The latter was however followed by a steep fall in the prices of some commodities. Neither producers nor consumers gain in the long term from such instability. Orderly trade in commodities in an expanding world economy is in the interests of both.

The problem is complex. Each commodity is a special case. Although some general commodity cycles can be detected in the statistics, there are major variations between individual commodities. It is important to recognise this diversity. There is no easy solution of general applicability.

Although producer countries include both developing and developed and consumers are not confined to the developed countries, trade in primary commodities is of greater relative importance to developing countries. The developing countries have put forward many proposals concerning commodity agreements, buffer stocks, equitable prices and export earnings, indexation, improved access, producer associations, local processing, etc. Differences of approach between developing and developed countries have hindered progress. The developed countries have generally favoured a commodity-by-commodity approach, while the developing countries wanted all-embracing arrangements.

A great deal of common ground does however exist and there is a need of readiness to re-examine long-standing problems with fresh minds. For example, the UNCTAD (United Nations Conference on Trade and Development) committee on commodities recently adopted by consensus a resolution calling for further studies on the UNCTAD Secretary-General's proposals for an "integrated approach" to commodity problems.

Much detailed work already done by individual countries and international bodies, including the Commonwealth Secretariat's study on "terms of trade policy for primary commodities", provides a basis on which to build. While bearing in mind that each commodity has individual characteristics, we can still seek to identify features common to most commodities which could provide a new and more comprehensive approach.

Commodity agreements have so far covered only a handful of commodities and have proved incapable of dealing with severe fluctuations in price and supply of the kind we have recently experienced. However, we should be prepared in suitable cases to negotiate new agreements. Our initial assessment of likely commodities suggests the following possibilities: cereals, cocoa, coffee, copper, dairy products, jute, rubber, sisal, sugar, tea and tin. Of these, tea, jute and sisal are of particular interest to the poorest Commonwealth producers. The most appropriate mechanisms for stabilising price and supply will have to be identified for each individual commodity. Financial difficulties over stockpiling could be tackled by mutually beneficial arrangements between producers and consumers. As demonstrated in the Commonwealth Secretariat's study, there are great problems involved in attempting to establish any automatic link between commodity

prices and the prices of manufactures.

Whilst commodity agreements can lead to greater price stability, some commodities of particular interest to the poorer developing countries may be unsuitable for inclusion in commodity agreements. A complementary approach would be to extend the scope of schemes for stabilising the export earnings of developing producer countries (e.g., the IMF scheme and the EEC/ACP arrangements). These schemes are less affected by fluctuations in supply and demand, and can be specifically related to the problems of individual countries. They can also benefit producers suffering from temporary disruptions in supplies. Broader schemes could be devised, although they would have limitations. We must pay special attention to the problems of the poorest developing countries. Many of their problems must be tackled through conventional aid, but favourable terms may be needed in any scheme of export earnings stabilisation or in the financing of buffer stocks covering commodities of particular interest [to] them.

There is no neat and tidy solution wh[ich] will satisfy all. International discuss[ion] has produced a variety of proposals. [We] must create an atmosphere of confiden[ce]. A first task might be to draw up an agre[ed] statement of the common ground betwe[en] consumers and producers, whether [de]veloped or developing, whether rich [or] poor.

—British Information Servic[es]

Malaysia works on buffer for rubber

The Internatonal Tin Atreement of which Malaysia is a member has shown its capability in supporting the market at price levels which would not otherwise be reached in the absence of such an arrangement. And now, Malaysia is initiating a similar arrangement for yet another major commodity, rubber, of which she is the world's leading producer.

For a long time, talks have gone on about the need for such an arrangement to help stabilise natural rubber prices. Indeed, events in the past 18 months have shown the urgency for such an arrangement. A positive step towards the realisation of such an arrangement was the three-day meeting in Kuala Lumpur, from March 3, of experts from the world's three leading natural rubber producers — Malaysia, Thailand and Indonesia — to work out details of an international buffer stock scheme for natural rubber. The meeting ended with accord on the institution of the buffer stock and also a supply rationalisation scheme to complement the buffer stock.

agreement on prices

A communique issued at the close said, the meeting also agreed on the floor and ceiling prices and a stabilisation band for the buffer stock operations and that these prices should reflect the cost and competitive factors relevant to both natural rubber and synthetic rubber under the present circumstances. Agreement was also reached on the inclusion of RSS 1, (Ribbed Smoked Sheets Grade 1) RSS 3 and 4 and an appropriate remilled grade and technically specified rubbers in the buffer stock. The stock composition would be reviewed from time to time in response to changing production and consumption patterns.

Meanwhile, the minister for Primary Industries, Datuk Musa Hitam, said, technical experts from the Association of Natural Rubber Producing Countries (ANRPC) will meet in Kuala Lumpur next month to make a detailed study on the proposed scheme: The meeting on April 10, considered four papers, including one on the legal framework of the proposed scheme, the supply and demand position of NR and the rationalisation of supply. It is hoped a ministerial level meeting will be held in September to initial the agreement for the buffer stock.

vital material

Natural rubber is vital to the economies of developing countries, providing a major source of revenue, foreign exchange earnings and employment. In 1973, it accounted for about US $2,625 million in terms of export earnings. Millions depend on rubber for their livelihood and the structure of the industry is such that the majority of the rubber land in all producing countries is owned by small-holders whose subsistence is very closely tied up with the viability of the rubber industry. It is therefore crucial in the economic interest of these producing countries that there should be stable and reasonable prices for natural rubber.

A look at price trends in Malaysia for natural rubber over the years will perhaps indicate the problem of price instability. From 1960 to April 1972, prices for natural rubber declined steadily. From an annual peak average of M $2.38 per kilo in 1960, the price fell to a low of 86 cents per kilo in April 1972. The prices more than trebled during the next year and [a] half and by December 1973 it had reache[d] M$2.43 for the first time since the earl[y] 1950's. In 1974, the prices drifted down[wards] again and since the beginning o[f] this year, prices have remained at aroun[d] the M$ 1.30 per kilo level.

inelasticity of supply

Several factors account for such instability in the rubber prices, the main ones being the imbalance in supply and demand and the high inelasticity of supply. Supply inelasticity problems are fnrther aggravated by shortcomings in the existing marketing systems. The buffer stock scheme, it is hoped, would regulate and rationalise short-term supply and demand through correcting transient imbalances. Financed by a buffer stock fund, it is able to engage in open market operations either to mop up surpluses or to release from the stockpile to meet deficits, thus ensuring a balanced supply-demand position at all times. It operates by determining a floor and ceiling price, representing a reasonable price range.

Malaysia, it is understood, is proposing a stock of 350,000 tons. Since the ANRPC forms the nucleus for the initiation of this scheme, member countries' contributions to the ANRPC budget will perhaps form the basis for allocating stocks among the producing countries. For Malaysia, this would work out to 46.1 per cent, Indonesia 26.2 per cent, Thailand 11.3 per cent, Singapore 11.2 per cent, Sri Lanka 4.6 per cent and South Vietnam 0.6 per cent. The management of the stock will undoubtedly entail problems such as allocation, storage and costs. Such problems would have to be ironed

ut as they are crucial to the entire opera-
on of the scheme.

For example, in the case of storage, if
SS rubbers were stacked seven bales high
nd technically specified rubbers four
allets high, a total storage area of about
.7 million square feet would be required
or the entire stock. Therefore, if all the
ocks are initially held in the producing
ountries, Malaysia would require about
.3 million square feet, Indonesia 0.7 mil-
on square feet, Thailand and Singapore
bour 0.3 million square feet each, Sri
anka 0.13 million square feet and South
ietnam 0.02 million square feet. In
ractice, however, these estimates only
ndicate the longer term maximum re-
uirements as stock build-up is expected
o be gradual. Also, stock levels would
uctuate with market conditions and the
ctivities of the buffer stock management.

Like the arrangement for tin, the floor
nd ceiling prices which are set for the
uffer stock operations are important for
he scheme to work successfully. The ex-
erts will have to work out realistic floor
nd ceiling prices for the scheme to meet its
bjectives. Too low a floor price will defeat
he purpose of the scheme and too high
floor price will result in carrying unneces-
arily large stocks over a long period, in-
urring a heavy financial burden on the
cheme. In the same way, too low a ceil-
ng price will jeopardise producers' inte-
ests and too high a ceiling price will make
t meaningless in terms of price instability.

The experts therefore will have to work out a floor price which should reflect the representative cost of production plus a reasonable profit margin for producers while a realistic ceiling price should reflect the competitiveness of natural rubber versus synthetic rubber so as to safeguard the long-term interest of the natural rubber industry. Such price levels should undoubtedly be subject to periodic review to ensure they conform to supply-demand factors. The operation of the scheme will involve a massive financial outlay estimated to be in the region of M\$600 million, made up of recurrent and operating expenses, stock financing, funds for storage and warehousing and interest on capital tied up.

Malaysia had already indicated her commitment to put in M\$300 million for the scheme. Contributions by other member countries would again perhaps be based on these countries' contributions to the ANRPC budget which takes production ratios into acccount. However, there does not seem to be any lack of sources from which funds can be drawn.

For example, at the recent conference on raw materials in Dakar, Senegal, agreement was reached in principle to set up a special fund to finance buffer stocks for raw materials and primary commodities exported by developing countries. As a matter of fact, some delegations had even suggested that the fund be in the region of US\$6,000 million.

Another possible source is that International Monetary Fund which has a special facility for financing buffer stocks. Under this facility, the fund provides financial assistance to members for fulfilling their contributions to buffer stock schemes.

At its second meeting in Washington early this year, the Fund agreed, among other things, that the executive directors should consider the need for possible improvements in the existing fund facility for buffer stocks so that the fund can provide financial assistance directly to international buffer stocks of primary products. Yet another source is the World Bank, an institution orientated towards infrastructural development. If projects are viable, the World Bank is prepared to consider requests for financing.

However, one problem here is timing because requests for the bank's resources must always coincide with the time the bank is considering loans to that particular country. Another potential source is the vast petrodollars of major oil exporters estimated to reach US \$60 billion this year. Such enormous funds can be tapped to finance the stock when necessary. The viability of such a scheme is undeniable but its realisation would depend on multilateral support, commitment, sound financing and proper management and operation. Endorsed by the ANRPC, the scheme can be seen through the various stages of implementation and become a reality.

—BERNAMA Features

MOVING FINGER

One of the less lovable

practices which is being nurtured in New Delhi since this country became independent is the turning into a public event of the passing away of people who had been in public life. In the case of the late Padmaja Naidu, for instance, everything has been done, except giving her a state funeral, to mark her death and the cremation of her body an official function or a national occasion. Far be it from me to belittle the sense of bereavement of those who had been personally close to her, or the solemnity of the funeral orations delivered by her admirers or those who had come in contact with her one way or the other in tribute to her qualities of head and heart. But I must ask whether her passing away would have been so lavishly observed as a public event but for the Nehru connection. Incidentally, Mrs Gandhi said at a memorial meeting:" If there was need she was there. This was her spirit and if we can retain that spirit in our country, I think all will be well with India''. This sounds good, but, whereas Mrs Gandhi was in Kingston in Jamaica for a few days last week, she does not seem to have gone anywhere near Madras (which is in India) where, so the newspapers say, there is a famine of drinking water.

This is not to say that deaths do not ever have public dimensions. They do, occasionally and it is not difficult to identify the cases. Take for instance the passing away of H.L. Parwana recently. There has been spontaneous grief in the communities of bank employees and employees of newspapers and this grief has been given public expression in an equally spontaneous and authentic manner. This is easy both to understand and respect. Parwana did more than anybody else to bring about an improvement in the material circumstances of these categories of workers. More important still, he gave them and, through them, the white-collar worker class generally a sense of pride in themselves arising out of their recognition of their economic and social significance. In this sense he was a great architect of the militancy of the middle class. It does not matter that he was a communist. It does not even matter that his aggressive, agitational role as a leader of bank employees may have contributed to the present situation in which there has been deterioration in efficiency and discipline among bank employees generally. This is an unfortunate development which bank managements and the government should together deal with on its own merits.

Here it is extremely encouraging to find the Finance minister castigating the employees of nationalized banks for the poor quality of the service they give to customers, their "behaviour patterns" and their lack of "social awareness." Mr Subramaniam, who was inaugurating the northern region residential training centre of the Bank of India in New Delhi earlier this week, rightly drew the attention of the employees of nationalized banks to the "growing discontent" among customers. He pointed out that some of the private sector banks would appear to have done much better in such matters as deposit mobilization or service to customers. Perhaps a Parwana must arise from among bank managements to give the banking public the kind of square (or more than square) deal which the late H.L. Parwana was so largely instrumental in securing for bank employees.

Miss Shamim Rehmani

of Lucknow, who was convicted of the murder of her paramour, Dr Hari Om Gautam, is, I suppose, a physically attractive young woman. That she is extremely high-spirited is of course a matter of court records. I will be the last man to grudge the decision of the governor of UP remitting the sentence of life imprisonment, passed on her by the Additional Sessions Judge of Lucknow and confirmed in due course by the Allahabad High Court and the Supreme Court. In fact, since this is the International Women's Year, I would only be too happy if all women convicted by the courts of this offence or that and serving or about to serve prison terms are given the gift of a general jail delivery. Unfortunately, this is not likely to happen; Miss Rehmani, probably, could get herself a deal because she or her family happens to have right connections. It was suggested e at the time of the murder enquiry by police that attempts were being ma to hush up the matter. The report w that certain personages in high places the New Delhi hierarchy had their sy pathy enlisted on her behalf. Those p sonages have moved up since and are n occupying even higher places. In a case the alacrity with which the govern of UP had moved to rescue Miss Rehma from prison life after her life sentence w confirmed by the Supreme Court, does su gest that Dr Chenna Reddy was acting und more potent pressures than the Shak spearian sermon on the quality of merc

It appears that som

members of parliament had interced on Miss Rehmani's behalf. Such inte ventions are not uncommon, but th do not always succeed. At any rat the state government, which h recommended to the governor the r mission of Miss Rehmani's sentence the period already undergone, could hav taken the trouble of building up a mo respectable case than the one that her ter of imprisonment should be commute on the grounds of her own ill health an that of her mother and the death of h father. Quite clearly a lot of people i New Delhi and Lucknow had been bend ing over backwards to bring about Mis Rehmani's legalized jail break. Gautam a married man with three children, was womanizer. That makes him a scoundre certainly. He, nevertheless, was not pre pared to give up his family for the love o any woman. The wife, probably becaus of the children, was reconciled apparentl to her husband's philandering. Mis Rehmani, who was only one of the man women in Gautam's life, however, had he own ideas of what was due to her. Sh thought nothing of importuning him t give up his wife and children and make honest woman of her by marrying he and, when he refused, she passed he own sentence of death on him and executed the sentence as well.

Miss Rehmani too has paid a price — two years in jail as an undertrial, part of the time being spent in the prison hospital where she was reportedly treated mainly for ailments psychosomatic in nature. Now her mercy petition has been accepted by the UP governor on compassionate grounds and she is free. It appears that film producers are already falling over one another to offer her roles. Perhaps the first motion picture that may be made starring Miss Rehmani will b based on the story of her own lif . I won e whether, in that event, Gautam's wif a children

l also be hired to play their parts. Perps they could do with the money. Gautam after all was the bread-winner of family and his wife might have chosen put up with him because the children, at st, did need a bread-winner. Under the v, dependants of a murder victim could aim compensation from the convicted urderer. The Rehmani family is stated be an affluent one; Gautam's may not Litigation is a luxury for the poor, t it is unlikely that the UP governor's mpassion will stretch to that other woan and her children who are the innont victims of the Gautam-Rehmani gh jinks.

arlier, in this column I ade a reference to the late Parwana and e bank employees for whom he did so uch. Banks and their affairs have been ery much in the news lately. First there is e case of the Vijaya Bank which is reorted to be in trouble with income-tax uthorities in Calcutta. The allegation is at the Calcutta office of this bank had een transacting some suspicious business n fixed deposits and the charge is that ese alleged manipulations have been reorted to with a view to providing cover or black money.

In press reports of this affair the ame of the bank has not been menioned; the reference has been to a "non-nationalized bank." I feel that this s not fair. When official investigation of lleged malpractices has reached a stage where so responsible an officer of the goernment as the Income-tax Commisioner of West Bengal feels justified in brieing the press about it, the proper thing is for newspapers to name the bank involved. Otherwise, there is bound to be speculaion about the identity of the bank which is not a healthy thing and it is of course definitely unfair to banks in general — in this case the category of non-nationalized banks — since people are bound to be asking whether it is 'X' bank or 'Y' bank or 'Z' bank which is being investigated.

So far as the Vijaya Bank is concerned, I do hope that, if there has been any wrongdoing, it has only been a strictly local affair and that the top management is not involved, whether directly or indirectly. This bank and its chairman have displayed dynamic leadership in such matters as deposit mobilization and Vijaya Bank consequently has come to take its place in the front rank of scheduled banks in the private sector. It would be a pity indeed if its reputation or further progress is to be prejudiced in any manner and it is to be hoped that all concerned will make it a point to cooperate with one another in having the matter cleared up as early as possible.

Quick action to dispel suspicions of wrongdoing is also needed with respect to the allegations of tax evasion by the National and Grindlays Bank Limited (now Grindlays Bank) on which the Public Accounts Committee submitted its report to the Lok Sabha a few days ago. This journal and I, personally, firmly believe that foreign banks functioning in this country are rendering a useful service to the economy and that there is indeed need for foreign banking to be encouraged to do even more in financing or assisting to finance industrial development in our country, partly, by acting as a conduit for petro-dollars or other available foreign capital. I therefore consider it extremely important that foreign banks not only should conduct themselves and their business with a degree of integrity which would sternly discourage ideological or other critics or detractors but also be seen to be doing so.

Elsewhere in this issue is carried a summary of the observations of the Public Accounts Committee and I would strongly urge the management of the Grindlays Bank in this country and the Finance ministry and the income-tax authorities to set for themselves the aim of seeing that all those aspects of the assessment of the bank to income-tax, which have been called into question in the report of the Public Accounts Committee, are thoroughly gone into within the shortest possible time. These are days when foreign firms, especially businesses described as multi-national corporations or "transnational enterprises," are under fire in many countries and are being subjected to much uninformed or motivated criticism in our own country. It is therefore all the more necessary that no effort should be spared to clear up such doubts or suspicions as may arise about the functioning of foreign banking, commercial or industrial undertakings or establishments here.

I now come to the United Commercial Bank and the bar it has provided itself with at its head office in Calcutta. Hardened politicians, who are also veterans of election campaigns fought in the manner in which election campaigns have been fought in this country, profess to be horrified at the inequity of a nationalized bank having a bar on its premises for the entertainment of its top officials and their guests in flagrant violation of one of the Directive Principles of the Constitution. An apologist for the Finance ministry, which is supposed to be the keeper of the conscience of nationalized banks, thought it necessary to explain that the bar had been put up before the nationalisation of the bank; he tactfully refrained from saying anything about the bar continuing to be put to its legitimate use even after that Day of Glory. I wonder who is trying to fool whom'. I personally do not see anything wrong in a large business establishment, which has to offer hospitality to business contacts or other visitors or guests frequently, having on its premises a bar where drinks could be offered at lunches or cocktail parties held at the place. Seeing what five-star hotels charge for drinks, I should have thought that this arrangement certainly has the virtue of economy. In addition to the saving of money there is also the saving of time in the sense that a lunch on the premises could be a far quicker affair than a lunch at some elaborate hotel.

In my view the management of the United Commercial Bank or indeed any other bank or business establishment, which may have its own bar on the premises, does not at all have to apologise for it. It is a fact that hospitality has to be offered as a regular matter of business and it is also a fact that this hospitality frequently calls for the offer of drinks. *Tulsi* water has not yet become the accepted vehicle of business or social intercourse. Indeed, despite the heroic attempt made by Mr Shriman Narayan, when he was our ambassador in Kathmandu to improve Indo-Nepalese relations once for all by offering *Tulsi* water to guests at diplomatic or other functions held at the embassy, alcohol has not been outlawed from social functions hosted on behalf of the government of India.

It is true that spirituous offerings are not made when a minister is present at a government function, but usually the hospitality organization of the ministry concerned sees to it that hard drinks are made available just before the minister's arrival on the scene to whoever wants them. Incidentally, may I ask what is so very wrong in the United Commercial Bank or any other business establishment, even if nationalized, having a private bar on its premises when Hyderabad House in New Delhi where government hospitality is dispensed, seems to be always amply stocked with at least Indian whisky if not always the imported stuff on all appropriate occasions, thanks to the zeal or expense accounts of the hospitality organizations in ministries or other government offices?

VB

TRADE WINDS

CCI's Plans

UNDER ITS corporate plan which has been formulated recently, the Cement Corporation of India (CCI), is working to increase its capacity to three million tonnes a year by the end of 1978-79 and further to seven million tonnes per annum by 1983-84. At present, it has a capacity to produce 0.4 million tonnes of cement spread over two units of 0.2 million tonnes each, one at Mandhar in Madhya Pradesh and the other at Kurkunta in Karnataka. By the end of this year, the capacity will be raised to 0.6 million tonnes with the addition of the Bokajan unit in Assam. The project is likely to go into production by October.

Another plant of 0.2 million tonnes capacity is under construction at Rajean in Himachal Pradesh. It is expected to be commissioned by early 1977. By that time, the capacity of the Mandhar plant is also likely to be expanded to 0.4 million tonnes.

Four plants cleared

Four more plants, each with 0.4 million tonnes annual capacity, have been cleared by the government for being set up by the CCI at Akaltara in Madhya Pradesh and at Yerraguntala, Tendur and Adilabad in Andhra Pradesh. Another proposal of the corporation for putting up a 0.4 million tonnes capacity project at Neemuch in Madhya Pradesh has also been accepted in principle, but the clearance for it is expected to take some time. The railways have some difficulties in meeting the requirements of this plant. The work on the Akaltara, Yerraguntala and Neemuch projects has been taken in hand and order for the requisite machinery have already been placed. These three plants are expected to go into production by the end of the current Plan period. The work on the Tendur and Adilabad plants, however, is yet to be taken up as sufficient funds have not been allocated for them so far.

Utilising wastes

A significant step, besides augmenting its capacity, that has been taken by the CCI is the utilisation of industrial wastes for the manufacture of cement wherever possible. The expansion of the Mandhar plant is based on granulated slag from the Bhilai steel project. The Kurkunta plant has started utilising waste fly ash from thermal power stations to the extent of 15 to 20 per cent. The cement from this unit—Pozzolana cement—is said to have been very well accepted by the market.

The CCI is locating its projects in the backward areas of the country. This is said to be primarily responsible for the delays in the commissioning of the projects.

During 1974-75 the corporation incurred a loss of about Rs 18 lakhs. But it is stated to have turned the corner in the second half of this year. In the second half, a profit of about Rs 6.5 lakhs was made.

Hathi Committee Report

Immediate takeover of multi-national drug firms in the country, ban on import of bulk drugs wherever possible and dilution of shareholding of foreign companies are some of the major recommendations of the 15-member committee which enquired into the state of affairs in the drug industry in the country. The committee, headed by a former union minister, Mr Jaisukhlal Hathi, had submitted its report running into 450 pages, recently. Copies of the report were laid on the table of both Houses of Parliament recently.

Drug authority

The committee laid emphasis on Indianisation of the drug industry in the country and suggested that a more purposeful policy be implemented to blunt the potential of foreign companies to exploit their names and smother development of the Indian sector. To regulate the large-scale production and distribution of drugs in the country, the committee recommended the creation of a statutory national drug authority with wide powers including fixation of the price maxima in consultation with the Bureau of Industrial Costs and Prices, promote research and development, and ensure horizontal transfer of technology already available within the country and such technology that might be developed or imported in future.

The authority is to have a governing board with its chairman having the rank of a full-fledged secretary to the government. The authority is to be financed by a fund raised through a two per cent cess on total value of sales of all units of the industry. Foreign companies producing formulations based on imported bulk drugs should be made to manufacture the bulk drugs within specified period, it said. To produce more drugs, the committee said, government should not adopt a policy which placed the Indian manufacturers at a disadvantage. If there was to be a choice between foreign and Indian companies the latter should be encouraged if they had the technical competence.

On the question of dilution of foreign holdi[ng] the committee said this pr[o]cess should not take the fo[rm] of dispersed holding [of] shares by a large number [of] Indian nationals. The gover[n]ment should buy these shar[es] either through the pub[lic] sector undertakings directly [or] indirectly connected with t[he] manufacture of drugs an[d] chemicals, by public financi[al] institutions or by governme[nt] itself, it said.

It suggested penal actio[n] against branches of foreig[n] companies or 100 per cen[t] foreign equity held uni[ts] manufacturing drugs withou[t] valid licence. Also com[panies] producing bulk drug[s] in excess of licensed capacit[y] should be made to part wit[h] 50 per cent of their produc[tion] of the unauthorised capa[city] in addition to 50 per cen[t] of authorised productio[n]. The committee recommende[d] that in granting COB licence[s] two conditions should be im[posed]: (a) all bulk drugs ar[e] manufactured from the basi[c] stages within the country; an[d] (b) 50 per cent of the pro[duction] of these be made available to non-associate[d] Indian formulations.

Indian firms should b[e] liberally given licences fo[r] formulations and the foreign firms asked to switch over within a year to bulk drugs. The committee also suggested that foreign undertakings producing drug formulations in India using imported bulk drugs, should start and complete manufacture from basic stage within three years failing which they should not be allowed to continue marketing the formulations after the said period.

New Credit Policy

The Credit policy for the 1975 slack season, announced by the Reserve Bank recently, provides for a surge in food procurement advance by about Rs 250 crores with fultl refinance from it without enforcing a seasonal contraction in bank credit to the commercial sector. While apparently the framework of dear money and general credit control with all

gours has been maintain-
banks have been virtually free to expand advances
he commercial sector dur-
May-October from out heir incremental seasonal
osits.

he policy accents the ely seasonal commercial lit expansion in favour exports. Thus, the erve Bank has told the ks that pre-shipment dit for specified medium heavy engineering goods ould be made available at concessionary interest e of 11.5 per cent a year 180 days instead of 90 ys. Such credit for a fur-er period up to 90 days ould be subject to an in-est of not more than 13.5 r cent. A letter written by e Governor of Reseve Bank this credit policy to bankers s been published in this sue in Records and Statistics ction,

inancial Powers for linistries

The government has en-anced the financial powers f the administrative minis-ries with immediate effect. his has been done following detailed review of the resent financial delegations ndertaken in order to meet he requirements of the fifth Plan and in the context of resent day costs. Under the nhanced powers, administ-ative ministries are empowe-red to redelegate their powers o subordinate authorities except powers for creation of posts, write off of losses and reappropriations exceeding 10 per cent of the original budget provision. These ex-ceptions are meant to ensure stricter control over growth of administrative expenditure.

The ministries can now also declare any officer under it satisfying the prescribed criteria as head of depart-ment. In order to drive the maximum benefit out of these measures, the ministries have been advised not only to make full use of the dele-gated powers but also to further redelegate powers to their subordinate organisations to match the latter's requirements. It has been suggested that a complete re-view of much redelegations should be undertaken at least once in three years. The exercise of enhanced powers will, however, continue to be governed by procedural and other instructions issued by the government from time to time like general economy instructions, ban on creation of posts. ban on filling of vacancies, ban on new cons-tructions etc.

Production of Electronic Goods

The production of electro-nic equipment and compo-nents rose to Rs 300 crores during January-December 1974 according to the annual report of Department of Electronics for 1974-75. This represents an average growth rate of 20 per cent, which has been maintained on a steady basis during the in-between years. This growth rate has not been the result of a random spurt in some particular sector of the indus-try, but broadly in all sectors of the industry viz. consumer electronics and mass commu-nications, telecommunications, computers, controls and ins-trumentation aerospace and defence equipment. Again, from a steady value of about Rs 3 crores of export that was characteristic of 1968, 1974-75 provided an export performance of Rs 9.26 cro-res; there has not only been an increase of exports in financial terms, but in the variety of items exported and the number of enter-prises engaged in this acti-vity.

Output of Engineering Industries

The production target for engineering industries for 1975-76 has been set at over Rs 4,000 crores. This is based on the assumption that the welcome trends of increased availability of steel, coal and power would continue during this year. The pro-duction effort would be coup-led with higher investments in the key sectors. The gross value of production of engi-neering goods in 1973-74 was Rs 3,000 crores as com-pared to only Rs 55 crores in 1950-51 from medium and large scale industries. During 1974-75, the production in-creased to Rs 3,600 crores, which was remarkable in view of the severe stresses experi-enced by the national econo-my. There was substantial growth during the year in quantitative terms in several sectors such as tractors, scooters, hydel and thermal generators, machine-tools and sewing machines. Although the increase in the value of production was partly con-tributed by price inflation, the performance of public sector units was particularly encou-raging.

Zagreb Fair

This country has decided to participate in the Inter-national Autumn Fair sche-duled to be held at Zagreb, Yugoslavia from September 12 to 21 this year. This fair is one of the important interna-tional trade exhibitions in the world and India has been par-ticipating in it for a number of years. About sixty coun-tries are represented at the fair and the business transact-ed amounts to several million dollars.

There are close bilateral trade relations between India and Yugoslavia and under the existing trade agreement, payments are made in freely convertible currency. India's exports to Yugoslavia increas-ed from 12.45 crores in 1972-73 to Rs 23.55 crores in 1973-74, registering an rise of nearly 10 per cent. The trends are quite favourable for the year 1974-75 also. Yugoslavia has agreed to import certain items from India on reciprocal basis with custom duty con-cessions ranging from 17 to 50 per cent. This provides considerable opportunities for further expansion and diversi-fication of exports to that country. Exports to Yugo-slavia consist mainly of tea, hides and skins, groundnuts, coir, pepper and rubber, tyres of vehicles.

Bicycles for USA

The first containerised ship-ment of 900 bicycles was re-ceived in New York recently. The bicycles were of 10-speed racing model and 10-speed, 5-speed and 4-speed touring models. This was the outcome of the efforts of the Trade Development Authority in cooperation with an Indian bicycle manufacturing firm and an American export line. This makes India's entry into the intensly competitive racing bicycle market in the USA. This competition is generally with the European and Japa-nese bicycle manufacturers. The containerisation has solv-ed some of the major problems of the importers and distribu-tors by practically eliminating chances of damage and pilfe-rage. This system should lead to a steady increase in India's exports of bicycles to the USA.

Indo-Soviet Trade

The second round of Indo-Soviet talks in New Delhi to-wards the end of May on the five-year trade plan for 1976-80 will focus on production cooperations as a major level to alter the pattern and raise the level of turnover between two countries. Following a series of high-level meeting here the Soviet Union has in-dicated its readiness to ear-nestly consider under the new trade plan production coope-ration in areas recently identi-fied by the planning bodies of the two countries. These would be: mica, caustic soda, pulp and paper, flurspar and fluo-rine, chemicals, alumina, fer-tilisers and non-ferrous metals. The field could be extended in due time to cotton conversion and general machine tools.

Wagon Exports

The government hopes to maintain the increasing trend in export of railway wagons despite the recession in world markets. The wagon exports in the current year were likely to earn Rs 9 crores. Mean-while, ther ailway convention committee, has come to the conclusion that either

the railways investment for catering additional tariffic was not properly made or their field operations were not managed efficiently. The committee, in its seventh report presented to the Lok Sabha stated that during 1972-73 and 1973-74 while the number of wagons available with the railways was more, they carried far less traffic than in the year 1969-70. The committee was, therefore, "driven to the conclusion that either the railways investment for catering additional traffic was not properly made or their field operations were not managed efficiently."

Tea Output

Tea output of the major producing countries increased by 7.7 million kg at 70.3 million kg in the first quarter of 1975. The bulk of this rise came from Sri Lanka whose production increased by 4.6 million kg at 30.7 million kg during January-February, according to the United Planters Association of Southern India (UPASI). There was an improvement in South India also despite sharp cut in power and inadequate availability of diesel for power generation. South India's output in the first three months registered a rise of nearly 4 million kg at 21.6 million kg. The UPASI release stated that world tea output in 1974 registered a rise of 9.1 million kg at 864.2 million kg.

Indian Airlines

Indian Airlines have earned nearly $ 300,000 in foreign exchange from the sale of 'Discover India' and 'Youth' fares during the six months from September, 1974 to March, 1975. Nearly half of this amount was earned through sale of tickets in India against foreign exchange. The balance represents sales abroad through travel agents, airlines etc. This figure includes only those fares coupons for which have actually been presented and passengers have already travelled by Indian Airlines. It does not take into account the tickets which might have been sold during this period but are yet to be utilised. The 'Discover India' fare which enables a foreign tourist to travel anywhere in Indian Airlines was introduced on September 1, 1974 to attract foreign tourists. The charges for 14 days unrestricted travel are $200 and for 21 days travel $275. The 'Youth' fare, also introduced on September 1, 1974, offers a 25 per cent concession on normal fare to all youths within the age group of 13 and 30 years. For both 'Discover and India' and Youth' fares the payment has to be made in foreign exchange.

New Air Conditioned Coaches

Railways have placed orders for 112 self-generating air-conditioned coaches whi could be attached to all trair The coaches will be designe and manufactured with inc genous know-how at t Railways' own productic unit, the Integral Coac Factor at Perambur ne Madras. The factory is e pected to start delivery of th coaches during 1976-77. Th

coach will have 34 air ditioned second class chair seats and 10 air-condi-ed sleeper berths. It will about Rs 12 lakhs. With production of this new of coach, it would be sible to extend the facility air-conditioned chair car all the routes and trains. far this facility is available y on a few selected trains the Rajdhani Expresses, the Deluxe trains.

upee Value

The value of rupee has dec-ed further to 25.3 paise in bruary this year. Admitting s in the Lok Sabh recently Finance minister, Mr C. Su-maniam, stated that though figure looked alarming "we not worse off than, many the developing countries". e rupee value in 1964 was .8 paise which fell to 27.1 1974. Mr Subramaniam ared the concern over the arp fall in rupee value ex-esed by several members.

elease of Sugar

The government has or-ered the release of 280,000 nnes of sugar for June, 1975. will consist of 200,000 ton-es for leavy and 80,000 ton-es for free sale,

ncentives for Income-Tax Officers

In order to intensify the rive against black money and heck tax evasion, the go-ernment has instituted a cheme of merit rewards for ncome-tax officers. Under he scheme, 20 cash awards f which eight first awards f Rs 2,000 cash and 12 wards of Rs 1,000 each; will e given every year to in-ome-tax officers, beginning ith the financial year 1975-6. Under the scheme, maxi-num emphasis will be laid on the quality of assessment made by the income-tax officer. Cases in which the income-ax officers are able to assess ncomes, addition to the leelared incomes of the assessees, will qualify to be considered for the competi-tion. Cases where detection made by the income-tax offi-cers leads to an covering of a widespread racket of tax evasion will also be given extra weightage.

Stocks with MMTC

The government has taken several steps to liquidate the stocks of non-ferrous metals which have been lying with the Minerals and Metals Trading Corporation for a period longer than the nor-mal. These included stop-page of spot purchases of non-ferrous metals, deferring or rescheduling the shipments under long-term contracts having regard to the stocks, substantial reduction in the prices of non-ferrous metals, fixing a six months period (instead of the normal three months) for the sale prices of major non-ferrous metals such as copper, zinc and leads from April 1, 1975 with a view to create stability in the mar-ket, granting a number of varieties like lifting of allotted material, in convenient smal-ler lots and opening of revolv-ing letters of credit to the allottees. It has also been made compulsory for the allottees to reduce their Re-lease Orders with the cana-lising agency and to deposit earnest money and furnish their faced requirements at the time of registration of their Release Orders. This procedure is expected to help in planning the imports and avoiding abnormal stock ac-cummulation.

Indo-American Chamber Award

Tata Exports Limited was recently presented the Indo-American Chamber of Com-merce Award for outstanding achievement in the export of non-traditional Indian goods to the United States during 1973-74. The presen-tation was made by Mr William Simon, the US Secretary for the Treasury at a function held recently. The success of Tata Exports' efforts in a sophisticated market such as the United States is the result of its determination to pioneer overseas sales of non-tradi-tional items from this coun-try. This has enabled the company not only to promote the sales of new items abroad but also to add new countries to India's list of overseas markets. Due to the pioneer-ing efforts of Tata Exports Limited it was possible to identify and organise the ex-port of C.I. Ingot Moulds for the first time from India to the United States. Similarly, Tata Exports have developed, with the support of the Tata Iron & Steel Co. Ltd., the export to USA of flanges to ASTM specifications.

Varieties of Cloth

The government has deci-ded that mills producing more than one variety of cloth per 100 looms, should, to begin with, reduce the number of varieties by 10 per cent. There after, steps are proposed to be taken to reduce the varieties further up to 25 per cent. This information was given by Mr Vishwanath Pra-tap Singh, union deputy minister of Commerce in the Rajya Sabha recently.

Research Awards

Vividhalaxi Audyogik Sam-shodhan Vikas Kendra of Bombay has decided to give six annual awards of Rs 25,000 and a gold medal each to an individual or group of indivi-duals or institution who, in the opinion of its boards of advisors, have made outstand-ing contribution or contribu-tions to the advancement of science or engineering or tech-nology, leading directly to national prosperity in India. The awards will be given to Indian citizens and insti-tutions for research in each of the following fields:—(a) Me-tallurgical Science, (b) Phar-maceutical Science, (c) Elec-tronics, (d) Mechanical En-gineering, (e) Electrical En-gineering and (f) Agriculture.

Names in the News

Mr M. Ramabrahmam, for-mer Chairman, Indian Oil Corporation, has been appoin-ted part-time Chairman of the Bongaigaon Refinery and Pet-rochemicals Ltd. for a period of one year. He will take over from Mr D.L. Purkayas-tha, who is retiring.

The following 22 Members of Lok Sabha and Rajya Sabha have been elected to serve as Members of the Public Ac-counts Committee for the term commencing May, 1975.

Mr T. Balakrishniah, Mr Chandulal Chandrakar, Mr Chandrika Prasad, Mr Dar-bara Singh, Mr C.C. Gosain, Mr Pampan Gowda, Mr Raja Kulkarni, Mr Shyam Sunder Mohapatra, Mr H. N. Muker-jee, Mr Priya Ranjan Das Munshi, Mr Narendra Singh, Mr Noorul Huda, Mr Shibban Lal Saksena, Mr N. K. Sanghi and **Mr Somchand Solanki** are member of Lok Sahha. **Mr Mohammad Usman Arif, Mrs Pratibha Singh, Mr V.B. Raju, Mr Gulabrao Patil, Mr T. K. Srinivasan, Dr K. Mathew Kurian** and **Mr Rabi Ray** are member of Rajaya Sabha. The speaker has ap-pointed **Mr H. N. Mukerjee** as the Chairman of the Com-mittee.

The Upcountry Newspaper Representatives' Association felicitated in Bombay six ladies who had distinguished themselves in the field of pub-licity, public relations and marketing. They were **Mrs Anusooya Godiwala**, Publicity Manager of Godrej Soaps, Ltd. **Mrs Onita Sardesai**, Advertis-ing and Product Manager, Ciba-Geigy, **Mrs Usha Katrak**, of Radeus Advertising, **Mrs Rita Rahimtoola**, Manager Advertising & Pubic Rela-tions of Larsen & Toubro, **Mrs Pamela Chatterjee**, Ad-vertising & Public Relations Officer of Siemens, and **Mrs Nargis Wadia** Proprietor of Inter Publicity. **Mrs Lilavati Munshi**, eminent social worker and educationist was the chief guest.

COMPANY AFFAIRS

Dividend Amendment Disappoints

THE FINANCE minister Mr C. Subramanium, on second thoughts amended the Dividend Restraints Bill, in the course of its passage, to provide for payment to shareholders an interest of eight per cent on the "deferred" portion of the dividend declared in excess of the "ceiling' prescribed in the original Act. The amendment by itself will not prove to be a big bonanza to investors. The Finance minister in fact has grudgingly offered an interest concession of eight per cent while he should have made a liberal offer of at least 12 per cent in keeping with the current trend of interest rates.

As it is many companies would not declare dividends in excess of the original ceiling for the procedural difficulties alone will act as strong deterrents. Why should companies involve themselves in cumbersome and laborious, rather tortuous paper work when they can reward the shareholders the way they like after the expiry of the Act, unless of course, the life of the Dividend Act is extended further. Nor would the managements of companies act against the wishes of the overwhelming majority of the the shareholders.

Shareholders reject

At the annual general meeting of the Dharamsi Morarji Chemicals held last week the shareholders rejected by an overwhelming majority the board's proposals to declare an equity dividend of 16 per cent as against 12 per cent allowed for distribution. The dividend, therefore, had been brought down to 12 per cent.

Kamani Engineering

The working of Kamani Engineering Corporation has been adversely affected during the year ended September 30, 1974. During the year the turnover dropped from Rs 23.69 crores to Rs 16.04 crores while exports declined to Rs 6.75 crores from Rs 9.64 crores in 1972-73. During the year the company has incurred a loss of Rs 1.90 crores as against a profit of Rs 53·04 lakhs in the previous year. The directors have attributed the dismal performance to an all-round escalation in costs, power shortage, railway strike, freight difficulties, credit squeeze and the global energy crisis with inevitable repercussions on exports. But the shareholders who have had to forgo dividends for 1973-74 can draw comfort from the chairman's statement holding out a hope of a substantial and speedy improvement in working in the coming year.

Happy position

This optimism is based on the happy position of the order book at the end of March 1975 at Rs 29 crores as campared to Rs 22 crores in the previous year, improvement in prices and the readiness of banks and financial institutions in extending the required financial support to the company. Moreover the company has been ensured of all material inputs.

The company hopes to gear up its manufacturing activities of transmission towers and reach the break-even point latest by July 1975. Thereafter the tower manufacturing activity will earn a monthly profit of Rs 10 lakhs, thus enabling the company to wipe out its losses in two or three years. The company's major thrust has been now shifted from export to Indian business to stabilise its financial position. The domestic business include execution of IDA projects which enjoy the same status as export orders but have a shorter working cycle, facilitating quicker returns. Efforts are being made to diversify into more remunerative activities such as manufacture of tropo antenna.

Straw Products

Straw Products has reported excellent working results for the year ended December 31, 1974. Production touched an all-time high of 48,680 tonnes as compared to 40,741 tonnes in 1973. Sales nearly doubled to Rs 23.79 crores from Rs 12.84 crores in the earlier year. The gross profit earned during the year amounted to Rs 5.57 crores. The encouraging working results achieved during the year were as a result of a substantial increase in production and good performance of the paper mill and board mill of the company as well as due to the full working of the company's speciality paper plant. The directors have recommended a dividend of 15 per cent on equity shares subject to the provisions of the Bill amending the Companies (Temporary Restrictions on Dividends) Act 1974. After providing Rs 1.46 crores for depreciation, Rs 1.72 crores for development rebate reserve and Rs 58 lakhs for the proposed dividend, a sum of Rs 1.81 crores has been transferred to the general reserve. The company is promoting the tyre and tube project of JK Industries by participating in its equity capital to the tune of two crores rupees.

Raymond Woollen

The directors of Raym Woollen Mills have rec mended an equity dividen 12 per cent for 1974. The tribution for the year wil restricted to 10.5 per cent, maximum payable in term the Dividend Act. The bala of 1.5 per cent will be distri ted in two equal instalme after the expiry of the pres Act. This is the first comp to take advantage of amended Act.

During the year the co pany's sales spurted to 22.63 crores from Rs 17 crores in 1973 while gross p fit jumped to Rs 124.50 lal from Rs 103.13 lakhs in 19 Out of the gross profit, the rectors have set apart a sum Rs 65.28 lakhs to depreciati reserve as against Rs 57 lakhs in 1973 while an amou of Rs 6.50 lakhs was e marked for taxation as agair no provision in the earli year. The allocation to d velopment rebate reserve w reduced by Rs 4 lakhs to Rs lakhs while a sum of Rs 46. lakhs was appropriated general reserve as against I 28.44 lakhs in the precedi year. The dividends — pr ference and equity — will al sorb Rs 19.77 lakhs, the sam as in 1973 and will be paid o of the general reserve.

Escorts

Escorts Ltd has reporte impressive improvements ov its previous year's encouragin performance—production, sal exports, profits and margins a being appreciably higher tha in 1973. The directors hav declared an equity dividend c 14 per cent out of which 1 per cent will be disbursed afte the shareholders approval an the balance will be treated a deferred dividend to be pai after the expiry of the Dividen Act. The company's sale at Rs 60 crores surpasse the previous year's perfo mance by as much as Rs 1 crores while the profit befor

Rs 4.29 crores outstripped receding year's figure by a antial margin of Rs 1.34 s

e ratio of profit before to sales too was higher even per cent, an impro- ent of one per cent over earlier year. With the er impact of taxes, the profit available to the com- amounted to Rs 1.71 es as compared to Rs 1.27 es in 1973. It is gratifying note that the striking im- vements in working results orded in 1974 were achiev- despite heavy odds such as persisting power crisis, eased costs of wages and erials and the illegal la- r strike in the first six eks of the year.

mand picking up

The Company had sold and ivered 8,300 tractors in the r 1974 as against 7600 in evious year. Yellowline in- strial equipment — es- cially cranes, loaders, tug- rs and shunters — railway cillaries, X-ray equipment c. have shown further rise in oduction and sales. Produc- on, as also sale of motor- cles, scooters and piston semblies was marginally lo- er due to power and raw ma- rial shortages. Automotive hock Absorbers and the ear's market recorded a dec- ne due to the recession in the utomobile industry. However, emand for commercial vehi- es, motorcycles, etc. has pick- d up in the recent months and nprovement in manufacture nd sales of automotive com- onents is expected during 975.

The company's exports and oreign exchange earnings have mproved several-fold during he current year. The com- pany has successfully air- ifted 400 tractors and match- ng implements to Afghanistan against a prestigeous order won by the company against global competition. There has been substantial increase in the export of automotive com- ponents, tractors, agricultural implements, railway ancilla- ries, etc. As an eligible Export House, the company has secured and executed large orders for medium scale industries from middle east countries.

Escort's new Joint Venture—CGR India Limited with Compagnie General de Radiologie of France to manufacture Medical X-ray equipment for 100 per cent export at the Santa Cruz Electronic Export Zone, Bombay, has been registered and, with the plant facilities already under way, its first export consignment is expected out by April 1976.

The company is confident of maintaining its progressive record, perhaps even improve upon it, in 1975 provided the economic conditions in the country remained stable. Most of the products manufactured by the company were brand leaders and in great demand within the country as well as abroad. Having successfully completed the export and after-sale-service of tractors and farm machinery in Afghanistan, the company expected good export orders from the neighbouring countries like Nepal, Iran,

Pakistan, Bangladesh and other South East Asian countries.

Navsari Cotton

The Navsari Cotton and Silk Mills has declared an equity dividend of 12 per cent for 1974 on the enlarged capital resulting from the one-for-three bonus issue as against 15 per cent including a cash bonus dividend of 2.5 per cent in the preceding year. Although sales have advanced from Rs 4.83 crores to Rs 6.46 crores, gross profit had declined to Rs 62.86 lakhs from Rs 66.79 lakhs. Out of the gross profit the directors have appropriated Rs 13.59 lakhs to depreciation reserve, Rs 4.90 lakhs to development rebate reserve and Rs 22.50 lakhs for taxation as against Rs 10.86 lakhs, Rs 6.17 lakhs and Rs 19.34 lakhs provided respectively in 1973. The net profit after these allocations amounted to Rs 21.87 lakhs as compared to Rs 30.42 lakhs in the earlier year. The equity and preference dividends will absorb Rs 5.4 lakhs. A sum of Rs 6.32 lakhs has been transferred to the general reserve. An amount of Rs 12.95 lakhs has been carried forward.

New Great Eastern

The New Great Eastern Spinning & Weaving Company has declared an equity dividend of 12 per cent for 1974. In 1973 it paid a dividend of 12 per cent including two per cent centinary cash bonus. The working results released by the company show a decline in gross profit despite a handsome rise in sales. Sales during the year spurted to Rs 11.02 crores, recording a rise Rs 2.87 crores over 1973. Export sales nearly doubled to Rs 8.50 crores, registering an increase of as much as Rs 3.89 crores over the preceding year. Direct exports by the company touched Rs 8.26 crores as against Rs 2.83 crores in 1973. Gross profit during the year was lower at Rs 81.04 lakhs as compared to Rs 98.64 lakhs in the preceding year. The results would have been much more encouraging but for the strike in the textile industry in 1974, interruptions in power supply and an unprecedented rise in cost of production. After provisions and adjustments a sum of Rs 45.50 lakhs has been transferred to the general reserve.

Asiatic Oxygen

Althouth Asiatic Oxygen has fared well during the year ended September 30, 1974 the directors have decided to pass over the dividend in view of the expansion programme undertaken by the company and tight money market conditions. The Durgapur Oxygen plant was recommissioned in June 1974 and its performance is quite satisfactory. The dissolved acetylene plant at Bhadravati started production in December 1974. Oxygen and nitrogen production has also been started at Rourkela in January 1975. Under diversification scheme, the company has obtained an industrial licence for the manufacture of dissolved acetylene plants and work has been undertaken.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by 10 paise each to Rs 10.85 and Rs 10.55 per unit with effect from May 6.

News and Notes

The public issue of 21,50,000 equity shares of Rs 10 each at par by **Scooters India** which opened for subscription on April 28 has been oversubscribed according to the State Bank of India merchant banking division, the managers to the issue. The issue has since been closed.

Southern Nitrochemicals has commenced commercial production of nitric acid and sodium nitrate in the current year. There has been some delay in commissioning of the plants. The erection of the nitric acid plant with a capacity of 7000 tonnes was completed by the middle of December 1974 and the sodium nitrate plant with a capacity of 5000 tonnes per annum by the middle of February 1975.

Schrader-Scovill Duncan has announced an equity dividend of 12 per cent for the 14-month period ended December 1974. The company paid a dividend of 25 per cent on equity shares for the previous year ended October 1973. The directors have also proposed a bonus issue of one new share for every share held against the earlier proposal of two shares for every three shares held.

Total subscription to the 10-year six per cent **IDBI** (fourth series) bonds amounted to Rs 16.50 crores as against the notified amount of Rs 15 crores.

The six per cent **Agricultural Refinance Corporation** bonds 1985 for Rs 15 crores which opened for public subscription on May 5 were closed on being fully subscribed.

On April 24, 1975 the British Prime minister made a statement in which he said the British government accepted the report of Sir Don Ryder regarding the future of **British Leyland** over next ten yea[rs]. The British government w[ill] take a majority shareholdi[ng] in British Leyland. Objecti[ve] of the government will be [to] satisfy the criterias for the pr[o]vision of public funds and [at] the same time to allow the co[m]pany to operate on an effecti[ve] commercial basis without da[y]-to-day government interve[n]tion. There will be no massi[ve] redundancies in British Le[y]land.

Pfizer Inc. in the US h[as] been issued a letter of intent [by] the National Biomedical R[e]search Foundation (NBR[F]) to manufacture and market t[he] ACTA-Scanner, a new comp[u]terized X-ray device represen[t]ing a significant breakthrou[gh] in diagnostic radiology.

Mr A.K. Rungta has bee[n] appointed Managingg Direct[or] of **M/s. West Bengal Scoote[rs] Limited** — the first joint sect[or] project in the State of We[st] Bengal.

Lakshmi Machine Wor[ks]

Combatore the leading
facturer of textile machi-
of South India, has now
ed manufacturing for the
time in India high-
d 'Lakshmi—Schweiter"
matic pirn winders, to
the needs of textile indus-
in technical collaboration
M/s. Schweiter Engineer-
Works Limited, Switzer-
. The company will manu-
ure 60 machines, each of 36
dles, double-sided, yearly.

w Issues

eneers & Laminations ia) Ltd is setting up a new for the manufacture of eers at Othara near Chen-nur in Alleppey district ch is one of the backward ricts in Kerala. The unit being set up in the joint tor by the Kerala State ustrial Development Cor-ation Ltd. (KSIDC) and s T.K. Jacob & Associates. total investment is of the er of Rs 65 lakhs and the nover at full production is imated at Rs 2.50 crores. output of this unit will be million sq. metres per year full production. About 50 cent to 60 per cent of the oduction would be exported. e company proposes to go blic in September/October, 75 with a capital issue of Rs 25 lakhs. The project is heduled to be completed by bruary, 1976 and commer-l production is expected to started by March, 1976.

Thirani Chemicals proposes set up a plant at Paonta in rmur district of Himachal adesh for the manufacture of activated and precipitated lcium carbonate with a ca-acity of 500 tonnes per an-um. The main raw material, nestone, is available in enty near the plant site. The st of the project is estimated Rs 58 lakhs, which will be et by share capital to be subs-ribed to promoters (Rs 8 khs), public issue (Rs 14 khs), term loan from Hima-hal Pradesh Financial Corpo-ation (Rs 28.15 lakhs) and ash subsidy from the central overnment, since the plant will e located in a notified back-ward area, (Rs 7.85 lakhs). The plant is expected to go into production by September/October 1975.

Capital and Bonus Issues

Consent has been granted to twelve companies to raise capital of over Rs 7.84 crores.

The Tata Hydro-Electric Power Supply Co. Ltd., Bombay has been accorded consent, valid for 12 months only, for issue of Rs 100 lakhs in 10,000 (11 per cent) privately placed convertible debentures of Rs 1,000 each to the financial institutions for cash at par.

The Phoenix Chemicals Works Pvt Ltd., Bombay, have been accorded consent, valid for three months, to capitalise and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Indian Plywood Manufacturing Co. Ltd., Bombay, have been accorded consent, valid for three months, to capitalise Rs 25 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Kwality Spinning Mills Ltd., have been accorded consent, valid for three months, to capitalise Rs 10 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Shriram Fibres Ltd., New Delhi, have been accorded consent, valid for 12 months only, for issue of Rs 45 lakhs in 11 per cent privately placed convertible debentures of Rs 1,000 each for cash at par to the Unit Trust of India.

The Hindustan Spinning and Weaving Mills Ltd., Bombay, has been accorded consent. valid for three months to capitalise Rs 83.20 lakhs out of its general reserve and issue fully paid equity shares of Rs 250 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

The L. and T. McNeil Ltd., Bombay, have been accorded consent, valid for 12 months, for the issue of equity shares of the value of Rs 80 lakhs to be issued to the existing shareholders of the company on rights basis to meet overrun cost of their project relating to manufacturing of tyre curing presses and other rubber processing machinery.

The McNeill and Barry Ltd., have been accorded consent, valid for 12 months only, for the issue of securities as indicated below to the shareholders Messrs. Williamson Magor and Co Ltd. in terms of and in accordance with the scheme of merger of these companies approved by the Calcutta High Court:

(i) 1,23,908 equity shares of Rs 100 each.

(ii) 5,000 (9.3 per cent) cumulative preference shares of Rs 100 each and

(iii) 20,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each.

The Century Enka Ltd., Calcutta, have been granted consent, valid for a period of 12 months, for issue of 46,875 equity shares of Rs 100 each, at a premium of Rs 90 per share, to be issued by way of rights shares to the existing Indian shareholders only.

The Kumar Bronze Powders Ltd., New Delhi, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 50 lakhs (inclusive of capital already raised) divided into 50,000 equity shares of Rs 10 each, for cash at par, out of which shares worth Rs 30 lakhs will be offered for public subscription by a prospectus.

The Mohta Electro Steel Ltd., New Delhi, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 50 lakhs in equity shares of Rs 10 each and Rs 10 lakhs in preference shares of Rs 100 each.

The Northern India Glass Industries Ltd., has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 120 lakhs in equity shares of Rs 100 each and Rs 10 lakhs in preference shares of Rs 100 each.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Same Dividend			
Arunoday Mills	Dec. 31, 1974	12.0	12.0
Madras Aluminium	Dec. 31, 1974	Nil	Nil
Reduced Dividend			
Modern Mills	Dec. 31, 1974	5.0	10.0
Orissa Cement	Dec. 31, 1974	10.0	20.0
Trichinopoly Mills	Dec. 31,1974	12.0	20.0
Swan Mills	Dec. 31, 1974	5.0	15.0
Bata India	Dec. 31, 1974	8.0*	14.0
Gold Mohur	Dec. 31, 1974	7.0*	14.0
Finlay Mills	Dec. 31, 1974	Nil	22.5
Jeewanlal (1929)	Dec. 31, 1974	5.5	10.5
Highland Produce	Dec. 31, 1974	12.	12.5

*On enlarged capital.

RECORDS AND STATISTICS

PAC on role of assessment officers

THE QUESTION whether Appellate Commissioners of Income-tax should have unlimited powers to hear any appeal irrespective of the quantum of the total income of the assessee has been raised by the 176th Report of the Public Accounts Committee on Corporation Tax Assessments of National & Grindlays Bank Ltd.

This report which was adopted by the Public Accounts Committee (1974-75) on April 30 was laid on the table of the Lok Sabha on May 5.

From the evidence that has been placed before the committee relating to the income-tax assessments of National & Grindlays Bank Ltd, the impression gained by the committee is that 'adequate attention is not being paid by the assessing officers even in large income cases and that assessments are often completed in a routine fashion'.

The committee has observed that this is so would be evident from the fact that it was only after the receipt of nine memoranda from an ex-official of National & Grindlays Bank, alleging evasion of tax by the bank and after the Public Accounts Committee referred a representation on this subject to the ministry, that the Central Board of Direct Taxes was 'galvanised into action' to reexamine the assessments relating to National & Grindlays Bank. The committee has found that as a result of investigations arising out of the memoranda an amount of Rs 86.81 lakhs has been added to the taxable income of the bank for the assessment year 1971-72. Assessments for the years prior to 1971-72 have also been reopened under Section 147 of the Income-tax Act.

The committee has been informed that while the income returned by National & Grindlays Bank for the assessment year 1971-72 was Rs 3.23 crores, the income assessed was Rs 4.13 crores after several additions to the taxable income.

Superfieial scruitny

This would, according to the committee, indicate the inadequacy of the scrutiny hitherto made of the bank's income. The committee has expressed distress that the assessment of a foreign banking company that has built up a large business out of the deposits of Indian customers should be scrutinised 'so superficially', and has observed that this is a very serious matter that compels immediate attention. The committee has desired that the assessments of the bank for as many previous years as are considered advisable should be reopened and scrutinised immediately on a top priority basis and income that may have escaped tax duty brought to tax.

It has been alleged that National and Grindlays Bank has evaded tax running into tens of crores. The committee has been informed by the Central Board of Direct Taxes that these allegations pertain sometimes to evasion of income, sometimes to evasion of income-tax and sometimes the allegations refer to loss of revenue. An analysis of the various allegations is also stated to have been made by Income-tax authorities.

The committee has desired that these allegations should be examined in depth to determine the actual quantum of tax avoided or evaded by the bank in all these years, The committee has observed that from the facts brought out in the assessment for 1971-72, it would appear that the Bank's returns of income had not been 'reflecting a true picture of its finances for the purposes of tax'. Since this is a serious matter, the committee has desired that appropriate steps to recover the tax under-assessed should be taken and consequential penal and prosecution procedings should be considered.

Bad procedure

The committee has also been informed that the Income-tax department has investigated in depth the claim of Rs 105 lakhs on account of head office expenses made by the bank for the assessment year 1971-72 and disallowed Rs 36.20 lakhs. Though the bank has gone in appeal against the assessment for the year 1971-72, the committee has observed that the bank has not disputed the disallowance of head office expenses to the tune of Rs 34.92 lakhs, and have stated: 'Admittedly, while scrutinising the claims towards Head Office Expenses the Income-tax Office had not called for the books of accounts of the bank and no machinery also exists to check the veracity of expenditure stated to have been incurred outside India related to the business of the bank in India.' The committee has also found that as regards computation of Head Office Expenses 'an unfettered discretion has been given at present to Income-tax Officers'.

The committee has further observed: 'That an amount of Rs 36.20 lakhs should have been disallowed for one year alone on the basis of complaints would, perhaps, indicate that claims of the bank toward head office expenses had been allowed without proper scrutiny by the Income-tax Officers'. The committee has desired that the head office expenses claimed during the assessment years prior to 1971-72 for 16 years should also be reviewed immediately with a view to ensuring that no inadmissible expenditure has been allowed to escape tax and repatriated in foreign exchange to the bank's headquarters.

Absence of guidelines

What has caused greater concern to the committee is the absence of any uniform guidelines for the assessing officers on the treatment of head office expenses of foreign companies for purposes of income-tax. The committee has been informed that no definite guidelines have been laid down by the board so far. Some case studies have, however, been conducted and guidelines have now been evolved which have been stated to be under finalisation in consultation with a few Commissioners of Income-tax.

Since this is a very important aspect which has been ignored so far, the committee has desired that the guidelines should be finalised without further loss of time and necessary instructions to the assessing officers issued which would assist them in their assessments. The committee has found that this issue, which is vital both from the taxation and foreign exchange angles, has been already considerably delayed and have observed that it is mostly likely that as a result of the lack of uniformity considerable amounts would have escaped tax and been repatriated by various foreign companies abroad.

The committee has stated that it is regrettable that even though a note on the basis of case studies had been prepared in August 1973, there has been no finality as yet in the matter of issuing

guidelines. The committee has viewed such delays seriously and have desired that responsibility for the delay should be fixed for appropriate action. It would also be necessary, according to the committee, to comprehensively review the working of Foreign Tax Division in the ministry of Finance.

The committee has also found that in accordance with a technical services agreemente entered into between National & Grindlays Bank and the First Natioual City Bank, which controls 40 per cent of the shares of the former bank, the assessee bank was to reimburse to First National City Bank monthly in US dollars or such other currency as might be agreed upon, the cost incurred by the First National City Bank in providing its own personnel to the National & Grindlays Bank as well as the cost of training to National and Grindlays Bank personnel in its own offices.

Regular know-how fees

In pursuance of an-other clause of the agreement the principal office of the National & Grindlays Bank in India was to pay a monthly fee in Indian rupees to First National City Bank's principal office in India equivalent to £ 13,333 converted at the rate of exchange ruling on the date of payment as technical know-how fee.

In addition, the National & Grindlays Bank was to pay First National City Bank in respect of each of its accounting years 1969, 1970, 1971, 1972 and 1973 an amount in Indian rupees equivalent to 10 per cent of the amount by which the actual earnings of the Indian business of the former exceeded the projected earnings of its Indian business for the respective years Rs 21.60 lakhs in 1969, Rs 38.35 lakhs in 1970, Rs 59.29 lakhs in 1971, Rs 27.95 lakhs in 1972 have been paid by the National & Grindlays Bank to the First National City Bank under this agreement.

Considering the fact that the services rendered by First National City Bank related only to training programmes, operating practices, credit policy administration, development and expansion of the National and Grindlays Bank's offices and business, the committee has observed that they are not satisfied whether such services can be treated as technical know-how.

It is also not clear to the committee whether the services rendered by First National City Bank were in fact related to the Indian business of National and Grindlays Bank and the Bank has also not been in a position to furnish details to establish that this expenditure was related to its Indian business.

The committee has, theref desired that the agreem between the two banks sho be examined in detail, in its aspects, immediately w a view to ensuring that has not been resorted to a means of evading tax.

Such an examination is, the opinion of the commit important in view of the s

tial financial interest of the t National City Bank in affairs of the National and ıdlays Bank. The committee has recommended that ase it is found after the posed examination that agseement was only a ade' to facilitate tax eva-, appropriate action uld be taken against both banks.

In respect of the amount Rs 21.60 lakhs paid by the ional and Grindlays Bank he First National City k relating to the assessnt year 1970-71, the comtee has been informed that was not deducted at source the bank and that prosecun against the bank was ler contemplation. The nmittee has stated that y cannot view with equanty such delays in taking ion against 'what is clearly iolation of the fiscal laws the country'. The comtee has added in this contion that they are inclined to feel that while the Income-tax Department does not hesitate to harass small income assessees, the same enthusiasm is lacking where large income assessees are concerned, and have desired that this should be examined immediately and action taken against the Bank which, in turn, would serve as a deterrent to other tax evaders.

Dealing with the deduction of Rs 75 lakhs claimed by the Bank on account of bad debts written off, the committee has observed that it is not clear to them how far the debt of Rs 75 lakhs due from M/s. Hoare Miller & Co. could be treated as irrecoverable in view of the fact that the debt had been guaranteed by Mr Rampuria and that apparently the bank had chosen not to enforce the recovery of the debt from the guarantor.

The committee has noted that as on June 30 1971, Mr Rampuria, who was the guarantor for the debt also held 7050 equity shares of M/s. Hoare Miller & Co. and have stated that it is also surprising that while Mr Rampuria had stood guarantee for the large sum of Rs 75 lakhs, his own wealth had been returned as only Rs 2.81 lakhs. Besides, Mr Rampuria and his associates are also assessed to wealth-tax and income-tax.

Under the circumstances, the committee has been unable to understand the reluctance on the part of the National & Grindlays Bank to take positive steps for the recovery of the debt due from M/s Hoare Miller & Co. from the guarantor. Since by writing off the debt of Rs 75 lakhs due from M/s Hoare Miller & Co., National & Grindlays Bank had released the company from its debt obligation, the committee has stated that they would like the Income-tax Department to examine whether the provisions of the Gift-tax Act would be applicable in this case and if so, appropriate action taken.

An interesting question that arises, according to the committee, out of the manner in which the bad debt claimed by the Bank has been treated is whether the Appellate Assistant Commissioners of Income-tax should have unlimited powers to hear any appeal irrespective of the quantum of the total income of the assessee. For instance, in this case, the committee has found that the Appellate Assistant Commissioner had allowed a claim as large as Rs 75 lakhs. The committee has desired that the feasibility of prescribing suitable monetary limits upto which Appellate Assistant Commissioners can hear appeals should be examined by government and have recommended that, if necessary, appeals in cases where the income exceeds the prescribed monetary limit can be heard by a Board of Appeal consisting of more than one Appellate Assistant Commissioner.

ew credit olicy

A letter to bankers, the overnor of the Reserve Bank India, has outlined the credit licy for the year 1975 slack ason. While the framework dear money and general edit control has been mainined, the banks have been t free to advance funds for od procurement and exports. e following is the text of e letter:

The expansion of bank cret as well as its deployment nong different sectors have en broadly in line with the jectives which we had inditd in April 1974 and Octor 1974. Over the year ended pril 1975, the increase in ggregate deposits was Rs 628 crores while commercial ank credit (excluding bills ediscounted with the Reserve ank) increased by Rs 1,022 rores. Thus the banks maintained an incremental credit deposit ratio of 62.8 per cent.

Among other things, the moderate rise in general prices and in fact a decline in some raw material prices during the year helped in slowing down the growth of bank credit. Credit deposit ratio at the end of April 1975 stood at 72.2 per cent against 73.7 per cent at the end of April 1974.

The drop in the credit deposit ratio, excluding advances for public food procurement was somewhat larger, from 69.6 at the end of April 1974 to 67.4 at the end of April 1975.

Conmercial banks brorrowing from the Reserve Bank, both through refinance and rediscount, was at its peak level for the 1974-75 busy season somewhat smaller than at the peak for the 1973-74 busy season (Rs 656 crores against Rs 698 crores). As against Rs 612 crores at the end of April 1974, commercial banks indebtedness to the Reserve Bank of India amounted to only Rs 413 crores at the end of April 1975; and a large part of this was on account of refinancing of food procurement.

During the 1974-75 busy season, gross bank credit (including bills rediscounted with the Reserve Bank) increased by Rs 990 crores (12.7 per cent) against Rs 1,355 crores (20.7 per cent) during 1973-74 busy season.

Credit for public food procurement increased by Rs 315 crores during 1974-75 busy season against Rs 188 crores during the previous busy season. Thus, gross bank credit excluding public food procurement increased by Rs 675 crores (9.9 per cent) compared to Rs 1167 crores (18.5 per cent) in the 1973-74 season.

The limited expansion in commercial bank credit together with the steps taken to curtail the government budgetary deficit and a substantial decline in net foreign exchange assets of the banking sector, contributed to considerably slower monetary expansion during 1974-75.

Money supply with the public increased by six per cent in 1974-75 (year ended March) against an annual rate of a little over 15 per cent in the preceding two years.

The wholesale price index had shown an increase of less than eight per cent over the year ended April 12, 1975 against 28 per cent in the preceding year.

Notwithstanding these favourable factors, the inflationary potential in the economy is still very considerable. It is true that with a break in prices and some change in inflationary psychology, certain sections of the economy have some problems of adjustment to altered conditions.

While raw material inventory management appears to be in better shape, in some industries there has been a greater accumulation of finished goods. But these developments are associated with diverse factors such as better management of inventories, slackening in internal demand, consumer resistance and fall in export demand.

Provision of larger bank credit by itself will not be a solution to these problems in all

circumstances. The situation in certain sections of industry calls for quick adaptation to new market conditions, reduction in costs and other remedies not related to credit.

In a situation like this, the general accent of credit policy will still have to be one of tightness, as the controlling of inflation has to continue as a basic objective. But the needs of some of the sectors which face special difficulties will have to be examined with reference to the extent to which credit could assist in a solution of their problems.

Credit expansion will have to be limited to bank's own available resources after providing for investments in government and other approved securities and statutory cash reserve requirement. Reserve Bank's assistance which is essentially created money can only be minimal and temporary.

This aspect of the constraint on banks' resources position will thus call for an even greater emphasis than in the past on selectivity in deployment of credit.

Main emphasis

Primary emphasis will have to be on sustaining investment and assisting production in core sectors and other essential lines as well as mass consumption goods and exports, as indicated in my letter of October 29, 1974.

With the continuing need for credit restraint, there is no case at this stage for a downward adjustment in the general structure of interest rates. With a greater measure of success in bringing about an abatement of inflation, the prevailing structure of deposit rates should give a boost for deposit mobilisation.

With a view to assisting the banks in their credit planning operations for 1975-76, in the light of the economic factors discussed above, the following indications are given:

(i) It has been decided to continue the cash reserve requirement at a level of four per cent during 1975-76.

(ii) The minimum of assets that constitute the statutory liquidity requirements under Section 24 of the Banking Regulation Act, will also continue at the existing level of 33 per cent.

(iii) The net liquidity ratio relevant for lending at Bank Rate by the Reserve Bank will be maintained at the present level of 39 per cent. The maximum rate chargeable for refinance will remain at 18 per cent per annum.

(iv) An amount equal to 10 per cent of inland bills purchased and discounted as of the last Friday of September 1974 will be available till the end of October 1975 as basic rediscount limit. Banks, which have availed of bill rediscount accommodation in excess of this basic limit may negotiate with the Reserve Bank for minimal additional discretionary accommodation during 1975 slack season period.

Operational needs

(v) An amount equal to one per cent of demand and time liabilities as of last Friday of September 1974 will ordinarily be available till the end of October 1975 as basic refinance limit. Banks should however regard this not as a resource available to them for credit expansion but strictly as a recourse in the event of unavoidable and temporary operational needs.

(vi) The base period calculated as of the last Friday of September 1974 for determining the basic refinance and rediscount limits will be suitably altered at the commencement of the 1975-76 busy season.

(vii) All special discretionary refinance limits granted (other than for public food procurement) will gradually be withdrawn by the end of October 1975, so that banks start the 1975-76 busy season with minimal indebtedness to the Reserve Bank.

(viii) Regarding public food procurement credit, the present formula of providing refinance equal to 50 per cent of the increase in outstanding food credit between Rs 300 crores and Rs 450 crores and full refinance in respect of increase beyond Rs 450 crores will be continued. However, it may not be possible to continue this facility at this level for long and the position will be reviewed in October position 1975.

(ix) The refinance policy of the Reserve Bank will continue to be on a discretionary basis as in the last two years and such accommodation will be only for a short period, In granting any discretionary accommodation, banks' incremental export performance will, in particular, be taken into account, apart from general compliance with sectoral priorities of credit as indicated in paragraph 7 of my letter dated October 29, 1974.

Planned utilisation

(x) Banks should plan utilisation of their resources in the light of the considerations that have been outlined in such a way that credit expansion for 1975-76 as a whole (*May to April*) is about 63 to 64 per cent of their deposit accretions during the year. Assistance from the Reserve Bank in form of refinance and r count may approximately of the same peak level as ing the 1974-75 busy seas

9. Within this broad p framework, and bearing mind the guidelines give my letter of October 29, banks should seek to pre credit budgets on their ov resources position and se wise and industry-wise dep ment of credit. In additio the priorities indicated th in, the needs of the follo areas require added attenti

Export credit

10. In the context of in national developments with a view to providing s additional incentives to export sector, it is propose make the following cha in respect of export credit effect from the date of issu the directive in this regard.

(i) On pre-shipment credi general the maximum per for which concessionary of interest at 11.5 per cent annum applies, will conti to be 90 days. In case shipment credit has to be gi by banks for a longer per on account of delays attri

able to reasons which are beyond the control of the exporter in accordance with the advise given earlier in my letter of October 29, 1974, banks are required not to charge a rate exceeding two per cent over the concessionary rate of 11.5 per cent (13.5 per cent) for a further period of up to 45 days.

(ii) In the case of pre-shipment credit for specified medium and heavy engineering goods, the period for which concessionary rate of interest at 11.5 per cent per annum applies will be raised from 90 days to 180 days. In case pre-shipment credit has to be given by banks for a longer period on account of delays attributable to reasons which are beyond, the control of the exporter, banks are required not to charge a rate exceeding two per cent over the ceiling rate of 11.5 per cent (13.5 per cent) for a further period of up to 90 days. The list of specified medium and heavy engineering goods will be indicated in the directive which will be issued shortly.

(iii) Over and above these periods stipulated according to the two-tiers, banks are free to charge normal lending rates in respect of items (i) and (ii) above.

In the recent past, increased credit has been sought for fertiliser distribution. At present, only a few banks are involved in financing fertiliser distribution, but considering the high priority accorded to this sector, a larger number of banks should participate in financing these operations.

In view of the need for stimulating investment, commercial banks have to step u in some measure their term lending for projects of hi priority, within the resourc available to them and consi tently with the policy fram work for term lending.

As in the past, there will b discussions between Reser Bank and individual bank about the credit projection The Reserve Bank will al discuss with major users credit in the public and priva sectors. Banks themselv should be in close touch wi their customers.

Cash subsidy for engineering exports

THE GOVERNMENT has decided to extend cash assistance to 39 engineering export items under its revised schem with retrospective effect from April 1, 1975. The subsidy has been reduced by one to 15 per cent for a large number of items and for the rest the present rates are maintained. It has been raised in case of special model bicycles. The following list gives details of the old and new rates of cash assistance:

Sl. No.	Item	New rates	Old rates
1.	Builders' hardware (ferrous ungalvanised)	20 per cent	
2.	Builders' hardware (ferrous galvanised)	20 per cent	
3.	Iron castings		
	(a) iron castings galvanised	20 per cent	25 per cent
	(b) iron castings non-galvanised	24 per cent	25 per cent
4.	Steel castings	24 per cent	25 per cent
5.	All other not specified hereunder (exports of galvanised tension bars, brass rods, trop rods and gate rods are not eligible for cash assistance)	5 per cent	
6.	Pre-fabricated houses of steel, wood panel products and other materials	5 per cent	20 per cent
7.	Galvanised electric sub-station structures	5 per cent	20 per cent
8.	Railway track fasteners, fittings and accessories, other than bolts and nuts	24 per cent	25 per cent
9.	Mild steel arc welding electrodes	22.5 per cent	25 per cent
10.	Steel wire products made of wire finer than 0.457 mm and or of special steel such as high carbon/ high tensile steel	6 per cent	
11.	Steel wire ropes and wire strand (in addition and additional cash assistance of 4 per cent of the f.o.b. value will be admissible on exports to the US provided export contracts are either on CIF or on C & F basis)	13 per cent	
12.	Eyelets	9 per cent	
13.	Electric power capacitor and condensers.	7 per cent	
14.	Transformers	15 per cent	25 per cent
15.	(i) h. t. switch gear and control gear.	15 per cent	25 per cent
	(ii) i. t. switch gear and control gear.	20 per cent	25 per cent
16.	Motor starters	20 per cent	25 per cent
17.	Switch board units, metal clad and fuse units.	20 per cent	25 per cent
18.	All aluminium conductors (aac)	10 per cent	
19.	Electric kettles, hot plates, stoves, heaters and other electrical heating equipment. and other appliances	9 per cent	
20.	Power line carrier com-		

Sl. No.	Item	New rates	Old rates
	munication equipment, load despatch equipment and telemetering equipment.	15 per cent	25 per cent
21.	All other not specified hereunder	15 per cent	20 per cent
22.	Amplifiers (valve and transistorised) electronic components; electronic devices; microphones, hearing aids; public address equipment; radio receivers (value and transistorised): tape recorders; radiograms; electronic calculators. television receivers; record changers; record players; radio turners and head phones.	17.5 per cent	20 per cent
23.	Machine tools as defined in appendix II of the Red Book (Vol. I) other than hardness testing machines	20 per cent	25 per cent
24.	Hardness testing machines.	20 per cent	25 per cent
25.	Small and cutting tools, all types, made of high speed steel, high carbon and alloy steel, tungsten and other carbides and diamonds.		
	(i) Small and cutting tools not elsewhere specified.	15 per cent.	
	(ii) bonded abrasive products, all types	15 per cent	
	(iii) broaches, all types	15 per cent	
	(iv) coated abrasives	10 per cent	
	(v) diamond drill bits and diamond cutting tools including dressers and wheels of all types	12.5 per cent	15 per cent
	(vi) dies other than threading dies) jigs and fixtures	10 per cent	
	(vii) drills all types, including twist drills	12.5 per cent	15 per cent
	(viii) engineers' steel files, saw files and rasps—all types	12.5 per cent	15 per cent
	(ix) Fibre polishing wheels	10 per cent	
	(x) gear cutting tools all types	15 per cent	
	(xi) tools for lathes, shapers and planers, all types	15 per cent	
	(xii) milling cutters, all types	12.5 per cent	15 per cent
	(xiii) mining tools, all types excluding drilling equipment)	15 per cent	
	(xiv) pneumatic tools, all types	15 per cent	
	(xv) reamers, all types	15 per eent	
	(xvi) rock drills all types	15 per cent	
	(xvii) saws, segments, and saw blades, all types	12.5 per cent	15 per cent
	(xviii) threading tape, threading dies and chasers	12.5 per cent	15 per cent
	(xix) tungsten carbide products, all types	15 per cent	
26.	Drop forged and other hand tools		
	(i) all others not specified hereunder	15 per cent	
	(ii) allen head keys, alltypes	15 per cent	

Sl. No.	Item	New rates	Old rat
	(iii) brake adjusting tools	15 per cent	
	(iv) chisel, punches and hammers, all types	15 per cent	
	(v) cigarette tin cutters	15 per cent	
	(vi) clamp-on-vice	15 per cent	
	(vii) flaring tools, all types	15 per cent	
	(viii) pliers, spanners, wrenches, and screw and nut drivers, all types	15 per cent	
	(ix) ripping bar	15 per cent	
	(x) sockets and ratches, all types	15 per cent	
27.	Turbine pumps	22.5 per cent	25 per cent
28.	Water pumping plant (complete)	10 per cent	
29.	Crawler mounted excavators shovels, inclusive of various modifications like crane, camshell, dragline, hoe and pile driven	10 per cent	
30.	(i) Vegetable oil mill machinery including vegetable oil refining machinery and components (except hard faced parts)	10 per cent	
	(ii) Hard faced parts of vegetable oil mill machinery including vegetable oil refining machinery	6 per cent	10 per cent
31.	Others not specified hereunder (exports of fork lift trucks covered by this entry are eligible for each assistance at 22.5 per cent of the f.o.b. value)	10 per cent	
32.	Industrial boilers of all types	10 per cent	
33.	Passenger car, trucks, station wagon, buses and other motor vehicles including tempos	10 per cent	

Exports of commercial vehicles will be eligible for the grant of cash assistance at 20 per cent of the f. o. b. value will be available on commercial vehicles exported completely assembled as well as in CKD or SKD conditions withor without tyres and also without steel metal parts but not for components or sub-assemblies sent as such and not forming part of an export order for complete vehicles.

The term commercial vehicles include trucks buses, station wagons, tempos nnd other conventional vehicles. Passengers cars and universal jeeps are not classifiable as commercial vehicles. The value of hydraulic jack and tool kit exported alongwith the chassis/vehicles will not be deducted from the f.o.b. value of vehicles for calculating the f.o.b. value for the grant of cash assistance.

Sl. No.	Item	New rates	Old rat
34.	Motor cycles, scooter, mopeds and three wheelers, excluding tempos	10 per cent	
35.	Bicycles complete (other than sports light roadster type)	15 per cent	
36.	Bicycle components and accessories	20 per cent	
37.	Special model bicycles with multi-speed hubs/multi speed freewheels or clusters	12.5 per cent	10 per cent
38.	Hosiery and knitting needles	7 per cent	
39.	Governor carriage tricycles	15 per cent	

he unfavour-able winds

At the 35th annual conference of the All-India Manufacturers' Organisation (A-IMO), its President, Mr S.K. Somaiya, put forward five suggestions for the revival of the capital market out of which one relating to the withdrawal of restriction on dividends was of the most immediate ance. The prime minister, Mr Indira Gandhi, who inaugurated the conce, refused to accept any change in this regard. Conceding the point that it was ssary to raise the level of corporate savings, she held forth the view that the restric- on the distribution of dividends made larger savings available, at least temporarily, productive investment. Granted that the restrictive policy regarding dividends sed temporary accumulation of assets, yet there was also the damaging factor of the ng up of the fountain of new savings and investment because the confidence he investing public had been rudely shaken by the fall in security prices and the repreneurs were hesitant to enter the market for the raising of fresh capital. In the mate analysis, the policy-makers would have to weigh the implications of the steps en by them and corrective action would need to be taken before deep damage was ne to the economy. A temporary measure must not be allowed to survive a day re than it was absolutely necessary.

Not that the government was unaware of the sad plight of stock exchanges. The lex numbers of security prices (ordinary shares only) computed by the Reserve Bank India showed a fall of 25.7 per cent from 128.5 (1970-71=100) in the week-ended oril 27, 1974, to 95.5 for the week-ended April 26, 1975. And the fall in the prices of dinary shares had thrown out of gear the working of the Unit Trust of India — a gornment of India undertaking — and a fresh lease of life had to be provided to it by w concessions to unit-holders. There was no doubt that any further fall in security ices would do incalculable harm to the climate for investment.

While the restriction in regard to the distribution of dividends was universally plicable, the downturn in the share prices of certain industries was due to specific easons. For example, the shortage of power had hurt a large number of mini steel lants and the aluminium units. The shortage of coal due to tardy movement by the ailways had reduced the capacity utilisation of certain industries. There were still ther industries which suffered due to the paucity of raw materials. And a few had ackened their operations because they were mostly catering to the export markets which vere in the grip of a recession. It followed that if and when the restriction on the disribution of dividends was withdrawn, the climate for investment in equity in general night improve but the specific difficulties of particular groups of industries would still emain. A liberal policy in regard to the distribution of dividends could be described as a necessary condition but not a sufficient one for the revival of the capital market.

Mr Somaiya raised the question of the development rebate which was being withdrawn by the government. He suggested that it should be replaced by a suitable alternative such as allowing depreciation either on free or replacement cost basis. The prime minister did not touch upon this aspect perhaps because the government had already decided to appoint a high level committee to examine the whole question of the rising capital costs.

That this question had been agitating the mind of the business community was apparent from the fact that on May 16 Mr M.K. Mohta, chairman of the Punjab. Haryana and Delhi Chamber of Commerce and Industry (PHD) had also raised it in his address to the 70th annual general meeting of the PHD. Said Mr Mohta, "To the extent that development rebate had the effect of inducing a higher level of industrial investment, it had also a beneficial effect on both output and employment". He further said that the PHD had come to the conclusion that there was need for incentives which should promote investment, replacement, cash flow and sustained growth in priority

eastern ECONOMIST

MAY 23, 1975

areas. The PHD suggested an "investment allowance" which companies should be allowed to be transferred out of current profits to an investment fund and which should be spent within the following three years in the priority sector with tax exemption.

Mr Somaiya raised the pertinent question of the unrealistic pricing policy adopted by the government in regard to such industries as cement, paper, sugar and tyres and tubes. He said that on the one hand the cost of new capital equipment and machinery continued to rise year after year while on the other government fixed such controlled prices for these commodities as did not allow the generation of surpluses for further expansion. In this context, the suggestion was made by Mr Somaiya that "government should review the pricing policy and so fix the prices that they ensure reasonable return on new investment taking into account the very high current cost of capital".

Strangely, the prime minister in reply thought it fit not to touch this subject at all. Instead she lectured the business community on "the present tendency to pass off expenditure on personal consumption as business expenses." Surely even if this evil was completely rooted out, the industries mentioned above would not be able to command resources enough to add to their capacities. Mr Somaiya's plea that "controls are anti-productive because far from providing an incentive to maximise production, they leave the entrepreneur with neither the will nor the wherewithal to increase it", was also ignored by the prime minister. On the other hand, she said that the industry could no longer insist on a return to the easy days of earlier years. She offered them the platitudinous advice "to work ceaselessly to reduce costs and improve quality".

Earlier at the FICCI session the prime minister had turned down the request of the business community for liberalisation of bank credit. The government, she had argued, was not willing to relent in its fight against inflation. While the aim of the government to keep prices down by reducing the monetary demand pull was welcome, it would be extremely harmful to ignore the supply side altogether. The availability of wage goods needed to be augmented continuously. Therefore, the measures taken by the government should be flexible enough not to hurt the machinery for production. Unluckily a number of industrial units had either closed down or were on the verge of closure. [...] crusade against inflation had certa[...] shown some results but it had sta[...] hurting grievously some sectors of [...] economy. The government will hav[...] change its policies well before the [...] of the industry was overwhelmed by [...] unfavourable winds.

Looking ahead with confidence

At a recent press conference in the capital, Admiral S.M. Nanda, chairman of the Shipping Corporation of India Ltd (SCI), stressed the fact of the corporation having acquired shipping tonnage at 3.1 million DWT (equivalent to 1.9 million GRT) at the end of 1974-75. As the share of the SCI constituted 51 per cent of the total tonnage, it followed that our country had failed to reach the target of four million GRT which had been fixed by the Planning Commission for the last year of the fourth five-year Plan, i.e. 1973-74. However, the blame for this failure would have to be shared equally between the SCI and the private sector shipping companies. At present there are indications that the goal of four million tonnes would be reached during the current financial year but that would mean a delay of about two years. Admiral Nanda will have to further gear up the working of the SCI if our country is to achieve the target of 8.64 million GRT at the end of the fifth five-year Plan period as stipulated by the Planning Commission in its draft document. Perhaps the planners would have to scale down this target because much valuable time had been lost in reaching the level of four million GRT.

It would however be unfair not to congratulate Admiral Nanda for raising sharply the net profit of the SCI which at Rs 24.49 crores in 1974-75 was not only an all-time record but was also higher than the total net profit of the preceding two years taken together. It was noteworthy that increased earnings were accompanied by the absence of [...] increase in the cargo carried by [...] vessels of the SCI. With investment [...] the fleet at Rs 425 crores, the gr[...] earnings of the corporation at Rs 193[...] crores were indeed creditable. As mu[...] as Rs 96.50 crores constituted eit[...] foreign exchange earnings or savin[...] And the enhanced profitability of [...] SCI was brought about despite the de[...] weight of the increasing coastal tra[...] which because of the unremunerati[...] freight rates was a source of sizeab[...] losses. In 1974-75, the SCI carri[...] 306,746 tonnes of coastal freight [...] salt, coal and various other commoditi[...] as against 180,229 tonnes in the pr[...]ceding year. Undoubtedly it was in t[...] larger national interest to carry t[...] maximum possible of bulk commoditi[...] (such as salt, coal, etc.) along the coa[...] of the country so as to relieve t[...] pressure on the railways. And the loss[...] on coastal freight might increase in th[...] coming years along with the stead[...] expansion in the activities of th[...] SCI.

The Estimates Committee of the Lo[...] Sabha in its 75th report (published i[...] April 1975) had rightly expressed con[...]cern over the fact that the coasta[...] shipping operations had steadily dec[...]lined, instead of increasing, during th[...] past decade. The strength of the coasta[...] fleet (SCI as well as the private secto[...] shipping companies) went down from 114 in 1964 to 56 in 1973 and the tonnage dropped from 411,961 GRT in 1964 to 220,217 GRT in 1973. At the end of 1973, 23 out of 56 coasta[...] vessels were more than 20 years old (and only four vessels were less than four years old). Also, the Mino[...] Ports Committee (1973) had indicated that the sizes and drafts o[...] the vessels in operation in the coasta[...]

had no manoeuvrability in respect mployment in most of the minor which resulted in a reduction in fficiency of the fleet, slow turn-d at the ports and bunching of ves-at terminals.

ince the acquisition of coastal had been neglected, no wonder that tal shipping activities had fallen rply. An attempt was however made he Planning Commission to expand coastal fleet by fixing the target for 8-79 at 600,000 GRT. Orders for ships with Rumania had already n placed. Some orders were also ced with Hindustan Shipyard. The imates Committee recommended ongly that this target should be achiev- and no financial constraints should be owed to stand in the way. Happily, SCI had given full support in the pansion of coastal shipping and if it ntinued this policy, the stipulated rget would be achieved even though would hurt its profit and loss ac-unt.

Unfortunately the development of orts and the acquisition of ships of rge sizes in this country had not one hand in hand with the result at for some years the SCI had to harter out the big vessels. Out of 119 hips owned by the corporation, only 16 ere large-sized which required a draft f more than 40 feet and which a majority of our ports were not in a osition to offer. Recently, the SCI it upon an innovation. The large-sized essels were used for carrying food-grains from the USA and Canada and little away from the coast the load was transferred to smaller vessels which could enter our ports easily. Consequently, the large-sized vessels as well as the small-sized ones were fruitfully employed and it raised our capacity to carry the bulk of our imports of food-grains in our own vessels. In 1972-73, the SCI vessels carried imported food-grains equivalent to 181,220 tonnes; by 1974-75, the volume of imported food-grains carried by the SCI vessels multiplied more than three times to 567,055 tonnes. And surely it was no mean achievement.

The SCI was planning to make use of the same innovation in the import of crude oil from west Asia. Hitherto the tankers with capacity of 87,000 DWT were carrying crude oil from the Gulf countries to our shores but they were able to utilise only three-fifths of their capacity due to the inadequacies of the ports. The under-utilisation of the capacity of these vessels was a heavy loss which was proposed to be eliminated by transhipment of crude oil at a little distance from the coast.

The SCI had held consulations with the Hindustan Petroleum Corporation. the Indian Oil Corporation and the ministry of Petroleum and Chemicals and it had been decided to tranship oil at Salaya near Saurashtra coast and at Visakhapatnam and Madras ports so that the needs of Caltex, Hindustan Petroleum and Burmah Shell refineries could be met through the SCI vessels instead of the foreign tankers. Once this experiment succeeded, nearly 90 per cent of the requirements of crude oil of our refineries would be carried in the SCI vessels. Even without this innovation, the SCI had started carrying increasing volume of oil which rose from a little less than a million tonnes in 1972-73 to 4.6 million tonnes in 1974-75. (Total imports of oil and its products were 16.6 million tonnes in 1974-75).

Will the SCI be able to face the consequences of a developing recession in the major market economies of the world? The loadings to the USA, Japan, Australia, New Zealand and western Europe have already dropped considerably. Mr Nanda struck a note of confidence when he said at the press conference that "by a policy of rationalising our sailing, opening new areas not covered so far, and by utilising our mixed fleet as tramp or in liner services as the exigencies of the situation may require, the impact of these factors will not be as severe as would otherwise have been the case if the Shipping Corparation was operating only liner services". It will need all the ingenuity at the command of the SCI to counter the depressing effects of the world-wide recession if the good work done in the last year is not to be wiped out.

Pessimism in eastern India

RECESSIONARY CONDITIONS have been persisting in the eastern region of India for the past several months but surprisingly neither the government of India nor the state governments concerned have shown urgency and seriousness in tackling them effectively. The plight of the wagon and the automobile industries has been well publicised but a number of others such as the steel casting and ingot industry as well as those producing fans, fluorscent tubes, refrigerators and airconditioners have also been severely affected due to the lack of demand for their products. The controversy between the ministry of Railways and the wagon manufacturers reveals not merely a lack of coordination among the union ministries but also an inadequate appreciation on the part of the government of India of the important role of this industry in the eastern region. The exchange of charges and counter-charges between the Railway ministry and the wagon industry seems to indicate that there is no likelihood of finding an immediate and satisfactory solution to the problems confronting the latter. It is not merely a question of ensuring adequate and regular flow of orders for the wagon industry. There are also problems relating to the availability of inputs and of prices.

In his address to the first annual meeting of the Association of Indian Engineering Industry (Eastern Region) held in Calcutta on May 5, this year, Mr. K. Hartley, the chairman, recalled that the wagon industry was the firsi to be affected in the 1965 recession and that "it is indeed ominous that it is in difficulties on this occasion also". He clarified that it was not enough to place orders for the current year and that the industry should be told about the requirements during the next few years. It is also necessary to consider the price factor realistically since "there is no point in insisting on prices based

on costs prevailing two or three years ago".

Mr Hartley also referred to the difficulties of the automobile industry as well as of a large number of industries in the medium and small scale sector and urged the government at the centre and the state level "to arrest the rapidly deteriorating situation". He made three suggestions: Selective liberalisation of credit to the engineering industry, continuation of the development rebate at least for capital equipment manufactured and supplied in India, and the organisation of massive constructive work which has yielded "excellent results" in other countries in combating recession. It seems doubtful however if New Delhi will take prompt decisions on these suggestions. But it is certain that unless the engineering industries in the eastern region are given the facilities to make better use of their capacity and operate profitably, the recessionary trends may be intensified with their inevitable repurcussions on employment.

Mr P.K. Nanda, chairman of the AIEI, suggested at the annual meeting of its eastern region that the demand recession should make us view the total economic environment to find a solution. He said: "The budgetary allocation to developmental expenditure, the commitments already made to the high cost of administration, the diversion of surpluses that may arise from agriculture and other few growing areas to certain essential and 'vulnerable' sections of the economy, all lend little hope for a demand revival in the short term, perhaps even the medium term. On the other hand, cost inputs, at least for the engineering industry—raw materials, wages and financing costs (also depreciation where new and replacement investment in increasingly high cost of plant is unavoidable)—seem to show no decline. A short to medium term revival, therefore, rest with reducing cost of inputs".

Mr Nanda suggested that an immediate reappraisal was necessary of the credit policy especially for the eastern region. He said that "there has been too much bunching of industry and trade. of the efficient and inefficient users of credit, of the good and bad managements, in the implementation of our credit policy". This is, of course, true but how exactly is selectivity to be applied on the basis of these criteria?

While the initiative for reviving economy in the eastern region has to come mainly from New Delhi, the state governments concerned also can do much to improve the situation. For instance, the availability of power in West Bengal is once again showing signs of deterioration. Mr Hartely said that the restrictions that were imposed when rationing was introduced were still operating and were "forcing even those sectors of industry which are not facing problems of reduced demand in the market to operate below their optimum capacity".

Mr Siddhartha Shankar Ray has assured the engineering industry that the government will try to relax the restrictions on the consumption of power but it seems doubtful if this will be possible in the immediate future in view of the deterioration in the supply in recent weeks. It is necessary not only to augment the availability of power substantially but also keep the rates at reasonable levels. Mr Hartely said; "I do appreciate that the increase [in] the price of coal and other inputs [has] its own logic and tends to push up [the] cost of power generation. But I wo[uld] urge upon all concerned to see that [these] increases are kept to the minimum [and] that some of the increased costs [are] absorbed by improved productivity [where] there is considerable scope and, if p[os]sible, by reductiono of Gvernment dut[y]. There is indeed large scope for rais[ing] productivity but there does not app[ear] to be much prospect of it in the n[ear] future. However, the government [can] provide some relief by reducing [the] electricity duty.

Another problem highlighted at [the] annual meeting of the AIEI related [to] wage inputs. Mr P. K. Nanda sa[id]: "There is no denying the fact that [in] the eastern region, both for reason [of] management and trade union intran[si]gence, most engineering units empl[oy] excessive labour; productivity in rel[a]tion to other regions is low even aft[er] discounting such wage differentials [as] may now exist; and the escalation ra[te] arising from dearness allowance charg[es] have been perhaps the highest in We[st] Bengal. I believe that both in the sho[rt] term, and particularly the long term for ensuring viability and competitiv[e]ness of manufacturing units in We[st]

Eastern Economist 30 Years Ago

MAY 25, 1945

Central Asia comprises four Soviet Republics, Uzbekistan, Turkmenia, Kirghizia and Tadjikistan. It is a land of mountains and oases; cattle breeding and agriculture have been its main occupations from time immemorial. Under the Soviet dispensation, however, the whole structure of economic life has been rapidly transformed. There has taken place an enormous increase in the area brought under cultivation due to development of irrigation and mechanization of agriculture. Collectivation has proceeded side by side with industrialization. Electrical power development has made rapid strides. Thus, in Uzbekistan, the output of electrical energy doubled during 1940-43 and yet the pace of industrial expansion has been so rapid that need was felt for more electric pow[er] development. During 1943 five new hydro-electri[c] stations were under construction. Uzbekista[n] boasts of one of the biggest power stations in th[e] world situated on the river, Syr-Darya. Its out[put] is expected to be second only to that of th[e] great Dneprostroi dam and it will make possibl[e] the development of large-scale enterprises. Abou[t] half of its output is to be allocated to the metallu[r]gical industry which is beginning to develop i[n] the republic. By 1938, similarly, Tadjikistan ha[d] 4 hydro electric power stations, while in Kirghizi[a] more then 17 hydro-electric stations hav[e] been developed.

al, rationalisation in manpower will to be considered an essential pre-site. This may entail immediate and social burdens, which we must illing to bear". It is, of course, ntial to ensure the viability of in-ries in West Bengal but there does not seem to be much prospect of achieving this in the immediate future through rationalisation in manpower. Nevertheless, the state government should see to it that in its anxiety to appease labour, it does not burden industries with excessive wage costs.

ower famine in the south

A time when it has been claimed that power situation in the country has dis-ctly improved with the installation of 80 MW of new capacity, a record for time, against only 482 MW in 1973-74 d the operating efficiency of thermal tions has been toned up, the southern gion is in the grip of an unprecedented wer famine. The growth in generating pacity has been only a meagre 220 MW th the commissioning of two 110 MW ts at the Kothagudam station in Andhra adesh. These generating sets too have ot been behaving properly and in spite f the claim by the chairman of the An-ra Pradesh State Electricity Board where l the demands of consumers can be met asily, power shedding and cuts have been common feature in all parts of the state n recent weeks.

In Tamil Nadu an intolerable situation as been prevailing from the beginning of April and all non-continuous HT indus-ries have been asked to suspend the drawal of power from the state grid and continue their operation to the extent possible with the use of captive generators. The continuous process industries were given time to stagger their operations and close down without avoidable delay. Only the cement units and to a certain extent tyre manufacturers are using their capacity partially with power provided by Kerala and Karnataka on a barter deal basis. It had been hoped that closure of non-HT consumers would be initially for a period of only 10 days. But the imposition of the virtual 100 per cent cut may last over six weeks as the Neyveli thermal station has found it difficult to step up generation and Ennore has been experiencing some mechanical failure or other. With the precarious storage in the hydel reservoir it is not even possible to generate 17 million units daily for enabling HT consumers to function on even 75 per cent basis.

Karnataka state too is in a sad plight with a cut of 35 per cent being effective for some time past and no early prospect of total removal of curbs even if there is a satisfactory rainfall in the catchment area of the Sharavathi project, with the onset of the south-east monsoon. Only in Kerala there is no restriction on power consumption. Though even here consumers were asked to be frugal in the use of electricity for out-door illumination or other avoidable purposes.

The industrial producers in the southern region, particularly in Tamil Nadu and Karnataka are seriously worried as there is no early prospect of the installed capacity being utilised fully with adequate power availability. Already in Tamil Nadu over one million tonnes of cement output has been lost, while the two heavy chemical units have been utilising on average less than 50 per cent of their capacity. The textile mills and engineering units would have been seriously affected but for the existence of captive generating capacity. Even so, the loss of output is bound to be anything upto 25 per cent in a year. The textile producers may not be feeling entirely unhappy as there is heavy accumulation of stocks of cloth and yarn and a drop in output may be helpful to them in reducing stocks. It is nevertheless felt that the spinning or composite mills should be kept going if only to avoid the additional loss that would be involved in the layoff of workers.

The engineering units however are worried because of a decline in turnover and also the likelihood of deterioration in the availability of the components and parts due to the small scale units being unable to maintain output at the desired level. The loss of production of all industries can be easily Rs 200 crores for Tamil Nadu alone. In Karnataka, The Belgaum alu minium unit has suffered a decline in the production of the virgin metal by nearly 15,000 tonnes, while the cement units have been badly hit.

In this situation, what are the prospects for better functioning of the different industries? In 1975-76 the scope for addition to new generating capacity is not bright as only one thermal unit of 110 MW will be coming up at Ennore in Tamil Nadu, later in the year, one 100 MW unit in the Lower Sileru hydel project and one 130 MW unit in the Iddiki project in Kerala. In 1976-77 two more units of 100 MW each are scheduled to be commissioned in Andhra Pradesh in the Lower Sileru project and the two remaining units of 130 MW each in the Iddiki project. The Kalpakkam atomic power station is not expected to be ready before 1978 and the Kalinadhi project before 1978 or 1979. For the southern region as a whole new capacity added in 1974-78 will thus be only 1020 MW, during which period nearly 10,000 MW of capacity would be added in all India.

Having regard to the fact that power consumption in the southern region is higher than the all India average and its population accounts for 25 per cent of the total, the growth in new capacity should be at least 2500 MW not to speak of the strenuous efforts needed for bridging the existing gap of over 1500 MW for all four states. There may, of course, be some relief when the Kalinadhi project, the Kalpakkam power station, the Srishailam project, and Vijayawada and Tuticorin thermal stations get ready in 1978-82, but past experience has shown that any three or four years gap in power planning has had a disastrous cumulative effect on the regional economy as has happened in Karnataka, Tamil Nadu and Andhra Pradesh. With a considerable unused industrial capacity and the prospect of many new power intensive projects being commissioned in the next four years, long term and short term policies have to be speedily evolved for meeting the growing demand for electricity for agricultural and industrial purposes.

The immediate solution lies in an im-

provement in the operating efficiency of the Kothagudam, Ennore and Neyveli thermal stations which between themselves have an aggregate capacity of 1400 MW. The earlier four units in Kothagudam are functioning normally. Only the two recently installed sets have been giving serious trouble. At Ennore less than 50 per cent of capacity is being utilised because of operational problems while Neyveli is experiencing an acute shortage of lignite. There is no problem of coal supplies now for Kothagudam and Ennore and it will be a great relief if the expanded capacity of 450 MW at Ennore and 220 MW at Kathagudam is made to yield the maximum results. Out of 670 MW of capacity, an increase in the operating ratio by even 20 per cent would yield additionally 2200 million units annually.

If Neyveli could function similarly additional power availability could be 1500 million units. It is certainly feasible to set right the defects of the Kothagudam and Ennore as the question relates to technical improvements and better skill in maintaining operations. At Neyveli a distinct improvement in generation can be achieved only if lignite output is raised and the two oil fired boilers work regularly. It is rather ironic that over Rs 3 crores is being spent every month on the use of diesel oil and furnace oil for running captive generators and huge boilers when the central government has fought shy of providing necessary foreign exchange for acquiring mining equipment for Neyveli. It is only now that the serious implications of earlier neglect of the requirements of lignite mines is being realised and the centre has agreed to spend about Rs 87 crores for raising the output to 6.5 million tonnes annually from 3.5 million tonnes. But it is not even now clear when mining machinery will arrive and how soon lignite output can be raised.

The immediate difficulties can be overcome to a great extent only with the best use of thermal capacity and the commissioning of Iddiki project without further delay. As Kerala has no immediate use for power from this source, the whole quantity can be exported to Tamil Nadu and Karnataka. The three units can yield even 2500 million units annually, with adequate storage in the reservoir. The Kalinadhi project likewise will have an exportable surplus temporarily after the first stage has been completed. The period of easier availability in 1978-81 should not give any rise to misleading impression as happened when the Sharavathi project came on the scene in the mid-sixties.

The Hogenekal project on the Cauvery, the 2nd stage of Iddiki, the super thermal station at Kothagudam and the second mine cut at Neyveli have to be taken up in the next year or two if another critical phase in the early eighties is to be avoided. Without assured power availability sustained progress in the industrial and agricultural sectors cannot be achie and the example of Tamil Nadu has clea demonstrated the fact that there be no surfeit of power at any stage. It the largest capacity for any single state the country though it might be said t nearly 500 MW of capacity is infructu due to shortage of lignite, mechani failure or inadequate irrigation discharg Even so effective installed capacity nearly double that of any neighbouri states. Yet there is unsatisfied dema for power. The accent should therefo be on the implementation of new proje to the exclusion, if need be, of oth schemes and on securing a higher pla factor for operation.

Priorities in Himachal Pradesh

WHILE PRESENTING the annual budget for 1975-76 for the state, Mr Y. S. Parmar, the chief minister of Himachal Pradesh, stated that his government would continue to provide transport subsidy on foodgrains because the state was considerably deficit in this respect. He, however, asserted that the priorities for various programmes had been so reshuffled that augmentation of agricultural production, extension of irrigation facilities and acceleration of power generation had come to recieve enhanced attention.

Although agriculture is the mainstay of more than 75 per cent of the peop in Himachal Pradesh, this sector beset with numerous difficulties. Indiv dual holdings are small; more than per cent are less than five hectares eac Assured irrigation is available to only per cent of the cultivated area. As result, few holdings yield any surplu and many are not even self-sufficien For any substantial improvement in th pattern of living of the poor hill peopl a strategy of improvement through in tensive cultivation, better soil an water conservation and consolidatio of holdings would have to be evoved.

It is significant that the fifth Pla has proposed as outlay of Rs 11.87 crore for agriculture as against Rs 6.99 crore in the fourth Plan. Similarily, outla on horticulture has been almost double from Rs 3.57 crores during the fourt

n to Rs 7.51 crores during the fifth n. The proposed outlay on soil l water conservation is also likely to Rs 4.41 crores as against Rs 2.58 res during fourth Plan. Expenditure minor irrigation, both through blic Works Department and Commuy Development, has been increased m Rs 2,89 crores to Rs 5.35 crores ring the fifth Plan.

The programme for minor irrigation volved an expenditure of Rs 93 lakhs ring the year 1974-75, with irrigation cilities provided to an area of 4,200 ctares. For the year 1975-76 a ogramme costing Rs 100 lakhs will nefit an additional area of 3,000 ctares. For soil and water manageent an outlay of Rs 78.50 lakhs was ovided during 1974-75 and an area of 000 hectares received the benefit of rious conservation measures. The ogramme for 1975-76 includes the eatment of 2,000 hectares of seriously oded land. Another area of 2,500 ectares of agricultural land is to be eated for soil conservation at a cost of s 79 lakhs.

While the state government stepped p its activities in term of minor irriation and soil conservation, it has ended to minimise the significance of onsolidation of holdings, where the roposed expenditure during the fifth Plan period has been halved to Rs 40 akhs as against Rs 85 lakhs spent luring the fourth Plan period. The tate claims that the activities on this front will be continued, and the area to be consolidated during 1975-76 will be as much as consolidated during a year before. It would indeed be encouraging f the state is able to maintain the tempo despite reduced expenditure.

Horticulture has came to occupy the pride of place in the Himachal Pradesh economy. There has been a rapid proliferation of orchards in the state and the area under fruit trees increased to 57,939 hectares at the end of 1974-75. Apple is the primary crop of the state involving more than 40 per cent of the total area under fruits.

Amongst the notable recent achievements have been the distribution of tractors, establishment of agricultural machinery hiring centres, establishment of progeny-cum-demonstration orchards, distribution of new plantations, training of farmers in horticultural practices, establishment of bee-keeping stations and organisation of bee-keeping training courses. Fruit canning units have alse been established in the state.

To carry this programme further, the fifth Plan provides an outlay of Rs 7.51 crores for horticulture development, out of which an allocation of Rs 1.38 crores was made for 1974-75. The strategy adopted during 1975-76 is to consolidate the gains already made and to reduce the regional imbalances, which imperceptibly crept in during the initial stages of horticulture development. A significant development in this field is the establishment of the World Bank assisted project for the scientific marketingand processing of the apple produce of the state. An Agro-Industries Corporation has been set up to provide facilities for the collection grading, processing of apples and other fruits.

The programme for power has assumed special importance for the socioeconomic development in the state and an exceptionally large sum of Rs 48 crores has been provided for various schemes of generation, transmission and distribution during the fifth Plan period. Main emphasis has been laid on the early completion of the Giri-Hydel project where the first unit of 30 MW is to be commissioned during the current year. Moreover, the state has a plan of electrifying 440 additional villages during 1975-76 and hopefully the sleepy life in these villages is expected to bustle with activity.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Rupee-Sterling Link • Santa Cruz Zone • Cement, Sugar Exports • HSL's Reorganization

EVEN THOUGH the pound-sterling has depreciated quite substantially since it was floated in June, 1972, the government of India does not think it necessary to delink the rupee from it. The two other alternatives available to us — (i) linking of the rupee with the Special Drawing Rights (SDRs) whose value is determined from a weighted average of the currencies of the 16 countries which had a share in world exports of goods and services in excess of one per cent on an average over the five-year period 1968-72; and (ii) independent floating of the rupee — are not favoured. These two alternatives, it is pointed out officially here, are not barred to us as a result of the linkage of the rupee with the pound-sterling.

The main features of our present exchange rates system are:

(i) the rupee has a central rate designated in terms of the pound-sterling — Rs 18.80 per pound;

(ii) we are free to alter the central rate with the pound-sterling (in fact the central rate was reduced from Rs 18.9677 per pound in December, 1971, when the rupee was linked to the pound-sterling following the realignment of the major international currencies to Rs 18.80 per pound in 1972) and also vary the effective rates of transactions within a margin of 2.25 per cent on either side of the central rate;

(iii) it is open to us to change the pound-sterling as the currency for the designation of the central rate and to adopt any other currency or gold or SDRs;

(iv) although the rupee has a fixed exchange rate with the pound-sterling, it is indirectly floating against other currencies; and

(v) the floating rates of the rupee with the other currencies move *pari passu* wit hthe pound-sterling—the exchange rates of the rupee with currencies other than the pound-sterling are liable to variations within margin limits; they are derived from the gross rates between (a) the fixed rupee-sterling rate, on the one hand, and (b) the exchange rate for the pound with the concerned currency, on the other.

The present arrangement is considered favourable to us although the rupee depreciates along with the pound-sterling vis-a-vis the other currencies. The arrangement is said to have helped in safeguarding the competitive position of our exports in the face of a strong inflationary pressure.

intervention currency

The linkage with the SDRs is not considered in the best interest of the country at present since even in the case of the rupee-SDRs link, a major currency will have to be adopted as the intervention currency. The SDRs are still not an asset used in actual transactions. In view of our traditional association with the pound-sterling and a substantial portion of our external trade (nearly 30 per cent) still being carried on through this currency, we will have to choose the pound-sterling as the intervention currency. This will involve the rupee supporting the pound-sterling in between periods when we do not change our rates with the SDRs. Such a step would require large resources and expertise.

The linkage of the rupee with the SDRs, it is felt, would have meant an appreciation of the rupee in terms of the pound-sterling and the US dollar. This would have made our exports less competitive in these markets and also made the the import substitution efforts difficult. Our balance of payments difficulties, thu would have been compounded.

The independent floating of the rupee not favoured because as long as exchang controls are maintained, the intrins strength of the rupee or its weakne cannot be fully reflected in the exchang rates. Against the backdrop of scarcit of foreign exchange and the need fo channelling external resources to th priority sectors of the economy, the dis mantling of the exchange and import con trols is not considered feasible. In th prevailing circumstances, the independen floating of the rupee will primarily reflec the rigours of import and export restric tions.

creating uncertainties

The independent float may also create uncertainties which would inhibit our export promotion efforts as well as the process of planning. Though in theory the problems created by fluctuations in exchange rates can be taken care of by forward exchange mechanism, the cost of forward cover in a regime of widespread floating rates, it is pointed out, can be very high. It would, thus, erode considerably the profits from exports.

The government, however, is keeping a close watch on the situation and will not hesitate to modify the existing arrangements if any change is desirable for attaining the objectives of export promotion and import substitution.

* *

The world-wide recession is having its impact on the development of the Santa Cruz export processing zone which was approved for establishment in November, 1972. Till now, out of the 87 units contemplated to be set up there, only 44 projects have been approved. The units which have started functioning number not more than seven. The government, however, feels that the current recession would prove a temporary phenomenon and the cautious attitude which the prospective investors in the zone have adopted recently would be shed soon. This cautious attitude is said to be primarily responsible for

ags in the establishment of even those cts which have already been approved e government.

e annual capacity of the seven units h are currently functioning in the zone the order of Rs 9.47 crores. The re- ing projects approved, when they are emented, will push up this capacity arly Rs 73 crores. The optimum level roduction is envisaged to be realised he third year of the operation of a .

* *

xports of cement are expected to be ed during the current financial year to much 764,000 tonnes. The State Trad- Corporation expects to export nearly lakh tonnes — three lakh tonnes to , 50,000 tonnes to Bangladesh and 000 tonnes to Saudi Arabia. The re- ning exports are expected to take ce otherwise. Of these, the United Arab irates, Qatar, Kuwait and Bahrein are ected to account for nearly two lakh nes, Oman for 85,700 tonnes, Iran for 000 tonnes, Bangladesh for 8,600 ton- and Nepal for 2,700 tonnes.

f the above exports materialise, we uld earn more than Rs 50 crores in reign exchange. The State Trading Cor- ration is estimated to have exported ring 1974 cement worth Rs 8.75 crores. expects to earn as much as Rs 30 ores from these exports this year.

The expectation that sugar exports dur- g the current calendar year may be step- ed up significantly from the last year's vel of 487,345 tonnes may not materia- se. Owing to the high prices of this com- odity, the consumption of sugar all over e world is said to have registered a gene- al decline. There is also said to have been onsiderable substitution of sugar by other weetening agents in industrial uses. The rices of sugar have registered a downward rend in the recent past, but it is difficult o say how far this downward trend in rices will be able to arrest the decline in lemand. All efforts, however, are pro- posed to be made to export sugar to the maximum extent possible and at the best possible prices as the domestic production this year around 46 lakh tonnes is expect- ed to show a marked rise over the last year's figure of about 39.5 lakh tonnes.

* *

The resignation of Mr B. Tulpule from the general managership of Durgapur steelworks has brought to a head the con- troversy over the dissolution of Hindustan Steel Limited (HSL). Although Mr Tul- pule has not stated any reason for his decision to relinquish his charge, yet he is reported to have referred to some diffe- rences which he had with the Steel Autho- rity of India (SAIL) over its role in rela- tion to the working of Durgapur steel- works. These include the supply of high ash content coal to Durgapur, which even after washing, is said to contain as much as 28 per cent ash content; and (ii) non- consultation with the Durgapur plant authorities over the issue of officers' dear- ness allowance. Mr Tulpule has as well referred to his inability to meet either the minister for Steel, Mr Chandrajit Yadav, or the secretary in the Steel ministry, Mr M.A. Wadud Khan, on April 30 when a meeting of the general managers of all the steel plants had been called.

All these contentions of Mr Tulpule have been contested by the ministry sour- ces. Regarding his allegation that both Mr Yadav and Mr Wadud Khan did not give him any time on April 30, it is point- ed out that Mr Tulpule had not confirmed his willingness to attend the meeting of general managers as he was in Bombay and before he arrived in Delhi in the afternoon of April 30, the meeting had already taken place. Mr Tulpule did tele- phone to Mr Wadud Khan, but some one told him that he was not well. Mr Tulpule, however, did not make any attempt to call on the secretary for Steel. He also did not make any request to meet the minis- ter. So the question of the minister as well as the secretary for Steel refusing to see him did not arise.

old phenomenon

The supply of inferior quality coal to Durgapur steelworks, it is pointed, is not a new phenomenon. This problem also does not concern only the Durgapur plant; the other steelworks are not un- affected by it. In the overall interests of the steel industry, rationalisation of coal supplies is being looked into by SAIL. The coal supplies meant for the Durgapur plant, it is further pointed out, have not yet been diverted to the Bokaro steelworks.

About the Durgapur steel authorities not being consulted on the issue of the dearness allowance of its officers, the de- cision, it is learnt, was taken by a cabinet committee, since the issue was a complicat- ed one. In fact, the entire wage structure in the public sector undertakings, it is poin- ted out, is being looked into by the central government.

Mr Tulpule is also reported to have al- leged undue interference by SAIL in the working of Durgapur steelworks. But as the apex body to look after the entire steel industry in the country and to coor- dinate the working of the various units, this allegation also does not hold good. The SAIL does look into the specific problems of the different steel plants in the interest of finding out ways and means of overcoming the problems, but that can hardly be called interference in the auto- nomy of the different steelworks. In view of the changes that have taken place in the demand pattern of steel in the country during the last two years, a coordinated production pattern obviously has to be evolved and the steel plants have to be fitted in that overall production pattern. The very fact that the output of steel in the country registered a significant increase last year is indicative of the success achiev- ed by SAIL in its efforts at rationalising the production pattern in line with the changing requirements of the country.

dismantling HSL

The HSL had to be dismantled after the establishment of SAIL. As a matter of fact, the delay in the dissolution of HSL has been vehemently criticised off and on, though it was held up owing to certain technical reasons, including the decision about the cumulative losses of this under- taking which are stated to be of the order of nearly Rs 300 crores. This issue has now been resolved with converting the Durgapur steelworks and the alloy steel plant there into HSL. The losses incurred by the eastern composite unit are primarily attributable to these two projects. They, therefore, have been transferred to this redesignated company.

The other two units of erstwhile HSL, namely, the Bhilai steelworks and the Rourkela steel plant, now will be converted into separate com- panies. A fourth company is also being created to look after the marketing of steel. The HSL, thus, has been split into four companies: (i) the Durgapur steelworks and Durgapur alloy steel plant — redesig- nated as HSL; (ii) the Bhilai steelworks; (iii) the Rourkela steel plant; and (iv) a sales organisation. Besides looking after the marketing of steel within the country, the sales organisation will also deal with the transport and shipping aspects of the problem.

The four units are being provided full autonomy in their day-to-day working within the overall policy framework and production pattern of SAIL. The em- ployees in each company will be treated as the employees of that company. If any inter-plant transfers are to take place, the issue will have to be decided by the general managers of the new companies concern- ed. The SAIL, however, will deal with the transfers and postings of the officers at the level of general superintendents and general managers.

The reports about the resignation of the general manager of the Rourkela steel plant have been denied here. In fact, Mr Tulpule's resignation is considered an iso- lated case. Mr Tulpule has been asked to hand over his charge to the general superintendent of Durgapur steelworks.

New approach to depreciation problem

N.K. Sharma

A STUDY was conducted by the author to examine whether depreciation should be provided on replacement cost, historical cost or some other basis. In the present article the aim is to examine the argument from the view-point of the management of the various companies situated in Delhi, West Bengal, Maharashtra, Tamil Nadu, Gujarat, Uttar Pradesh, Madhya Pradesh and Rajasthan.

A survey of 43 companies was made. Out of these 43 companies, 13 companies favoured replacement cost basis; 17 companies favoured historical cost basis and the remaining 13 companies were of the view that some reasonable percentage over historical cost may be provided as depreciation. Those companies which favour replacement cost basis have put forth the following arguments in support of this basis:

One company argues that goods produced with the help of the machine should bear depreciation charges on the basis of replacement cost because it is the replacement value of the machine that is intended to be realised on sale of goods produced.

For example, if we buy a machine for Rs 50,000 and if we have to replace it after a few years, we shall have to buy a machine of the same type. If the cost of this new machine is Rs 70,000, we shall need Rs 70,000 and not Rs 50,000. Hence depreciation on the basis of replacement cost is quite logical from the viewpoint of cost also.

loss of purchasing power

Another company put forth its viewpoint thus: capital represented by fixed asset must be recovered out of the gross proceeds from the business. It is not enough merely to recover the same amount of money as was spent on the original asset, if in the meantime money has lost a part of its purchasing power through a rise in the price level. It is, therefore, the amount that will be spent on acquiring the new asset that has to be recovered

Still another company argued that the cost of replacing the existing plant facility, is of outstanding significance to management. Replacement cost is important in planning, property utilisation, in making departmental comparison in pricing policy, in determining insurable value in setting up maintenance standards, in deciding when to retire, and so on. Indeed, in the present period of rapid technological change and sharply moving prices, it is imperative that date of replacement cost should be available as a basis for administrative decisions.

Two other companies are of the view that if replacement cost is not adopted then labour leaders and politicians hold up certified statements in support of their claims that profits are excessive in inflationary periods.

accepted convention

One more company said that it was an accepted convention that industry should finance its own fixed assets. Therefore, unless the individual company accumulated sufficient funds in its depreciation fund account to finance re-equipment, it will in any prolonged period of rising prices find itself unable to carry on operations on the same scale or at least it will be in an unsound financial position.

Still another company said that going concern postulate was frequently advanced to support the thesis that depreciation should be based on the cost of replacement. It was held that before there can be a profit, revenue must be provided pro-rata the means of replacing the asset used. When replacement cost increases, the depreciation charges must be increased correspondingly. Income would therefore need to be interpreted not as an excess leftover after the relative incurred cost had been deducted but rather an excess leftover after the means of maintaining the asset stock have first be acquired.

Another company is of the view that the profit earned was taken as a guide to pr perity by actual and potential investors a quite often trade unions base their wa claims on the assumption that a compa can afford higher wages because pro are higher. If fixed assets were valued replacement cost, there could be no m conception as to the size of the pro earned and if claims for wages are put f ward then they could be dealt with realistic grounds.

matching revenue and cost

Two companies are of the view that t duty of the management is to match rev nue and cost of the same time dimensi and, therefore, only correct evaluation the services of the capital equipment any time period is on the basis of the r placement cost prevailing in that perio Possibly, another way of interpretation this view is to limit and consider the ca where there is no depreciation accountir and major replacement by physical d terioration of fixed assets is made good b repairs and partial replacement an charge to current account. Obviously i those circumstances all expenses are in th same time dimension as reserves and s it may be argued that there is no groun for different treatment.

It was also said by the management c one company that most of the lender seek replacement of loans made to financ equipment purchases over a period shorte than the estimated economic service lif of the fixed assets. Depreciation on re placement cost permits a large part of th cost inflow generated during the early deb repayment years to be free of income-ta and, given an added protection to the len der of both the series of increased profi tability and availability of funds, dep reciation based on replacement cost come off rather well as a factor in investmen decision making. Replacement cost seems to offer a reasonable effective encouragement to investment and it seems likely that we will see a continued and perhaps increased use of accelerated devices.

One company supported replacement

t basis by saying that the capital re-sented by fixed assets must be recover-out of the gross proceeds from the busi-s before that business can be said to e made a profit. And it is not enough rely to recover the same amount of ney as was spent on the original asset n if, in the mean time, it may not have t a part of its purchasing power.

Another company supported the re-acement cost basis of providing de-eciation because it helps in—

(a) Calculating the results of a year's operations with logical method by showing cost at current figures with sales at current values;

(b) Determining managerial policy with respect to pricing, credit, divi-dends, examination and the like;

(c) Preparing representative revenue statement and balance sheet of actual state of affairs;

(d) Showing true value of invest-ment in the company. This, in turn, leads to the calculation of return on capital employed with reference to histo-rical costs in full of unknowns and can have different meanings from one to another;

(e) Establishing a realistic price for a company's equity capital and thereby tends to reduce the danger of takeover bids.

Another 17 companies which favour historical cost basis give following rea-sons in support of their argument :

a matter of fact

One company is of the view that financ-ing of a new fixed asset is not the prime function of keeping records of a company. In its view expiration of the service capacity of an old asset is a matter of fact and provision for purchasing a new one is a matter of financial policy. There-fore, in its view there are no relationships between charging the cost of a fixed asset, to expense and provision for a new fixed asset to take its place when it is retired.

Another company says that replacement cost is not a sure measure of what it will cost to replace the asset at some time in the future. Prices rise and then fall and rise again. It is, therefore, difficult to forecast the cost of replacement of a particular fixed asset.

Another company is of the view that it is noteworthy that the depreciation based on replacement cost is allowed to in-fluence the selling prices, because it will further accentuate the inflationary movement.

Two companies are of the view that a vast body of common and statutory law and legal precedent in numerable contrac-tual and business relationships and many regulatory provisions are presently based on historical cost base accounting.

One company says that there is hardly any company which creates replacement funds as it is usually considered that provision for financing replacement can be postponed until the necessity for and the cost of the replacement becomes defi-nite. In the meantime it is usually regard-ed as more advisable to retain the avail-able funds in the working capital with the hope of earning a higher return by their use in operations, than could be obtained as income on funds invested.

fixed assets

Two companies are of the view that provision for depreciation is in no sense replacement provision. Writing off cost of a fixed asset by charge to expenses over a period includes these elements in the cost of product, increases the probability of recovering them in the selling price and thus helps in obtaining funds which may be utilised for their replacement. But the entries recording the expiration of plant costs do not either provide or segregate funds for the replacement of fixed asset.

Two companies are of the view that it is rather difficult to see how a businessman could ask consumer public to pay a price for an article that is loaded with deprecia-tion cost based on the fact that the busi-ness in about two years time will need more for the replacement of a particular asset than what was paid orginally for it.

Another company is of the view that profit and loss account will be debited during the life of an asset with the amount of depreciation which in total will be much more than the original cost of the asset. Once this original cost has been written off which account should be credited to offset the deficits thereafter? This is only one of such questions which are usually asked. It is unthinkable for accounting to abandon original cost as the basis for calculating profit or loss of the company.

One company says that there is much difficulty in adopting replacement cost basis because what will be the future cost of replacement of asset since views about the moment of prices in the future cannot be more than an intelligent guess-work? How can a company calculate an annual instalment of an unknown future amount? And since the future cost of replacement is not and cannot be known, is it not bet-ter to abandon the attempt and stick to historical cost as a basis for depreciation?

tremendous difficulties

Another company says that when re-placement cost basis for depreciation is adopted one is faced with tremendous difficulties of knowing whether or not the asset would ultimately be replaced in kind (which is often not the case). It will also be difficult to estimate the future price levels at which such replacements, if any, will ultimately be made. Then, it will also be a difficult task to distin-guish between replacement and expansion. Furthermore, even if replacement cost is estimated, the charge for depreciation each year will not be an accumulated pro-vision for depreciation. Even if it is ad-justed on replacement basis each year, it will not accumulate to such an amount as will be adequate for replacement as long as prices continue to rise.

Another company says that new assets are rarely of the same type and quality as old assets. New assets are always much better. Hence the higher price paid for an improved asset; to the extent of the improvement at least depreciation shall not be provided previously.

One company is of the view that tech-nological developments are widespread and comparatively new items will almost invariably have innovation which will affect the unit cost of production or opera-tion. The cost of new machinery may be more than the cost of the old one, but unit cost of production may be less. Since the new item is not the same as old, there is no replacement and replacement cost is not relevant.

Another company is of the view that calculation or estimation of replacement cost is fraught with difficulties. There is no generally accepted method of ascer-taining what replacement cost shall be. There is even contu ion as to which year shall be taken as a basis for calculating replacement costs. Will it be the current year or will it be the actual year when the asset is to be replaced? The latter is really the more significant year. There is never any certainty when a

fixed asset will be ready for replacement. If the current year's replacement cost is taken for total depreciation, there is real danger that the amount charged will be smaller or larger than the final replacement.

One company says that if replacement basis is allowed for the purpose of evaluating cost in a period of rising prices, the profit will be lower and this will tend to mean that lower taxes will be payable. This, in turn, will lead to a company possessing more purchasing power and, therefore, the inflationary trend will be aggravated still further.

The remaining 13 companies are of the view that some reasonable percentage over historical cost may be provided as depreciation. Their views are as follows:

1. Three companies say that 150, 180 or 200 per cent of historical cost is charged as depreciation from profit and loss account of the companies.

2. Four companies are of the view that the rate of initial depreciation may be increased from 20 per cent to 50 per cent or more and this allowance may be given to all kinds of depreciable assets.

3. Six companies are of the view that government should continue to grant development rebate to industries and rates may be increased from 100 per cent to 200 per cent.

In view of the foregoing arguments in favour of and against charging depreciation on replacement cost basis, I am of the opinion that for cost accounting and managerial accounting purposes, the replacement basis is the most suitable one. This replacement cost basis may be based upon one of the following ways:

1. Index number prepared on the chain base method by government or chamber of commerce.

2. An inquiry may be made from the manufacturers or suppliers regarding the current prices of identical depreciable assets.

3. Professional valuers may be appointed for periodic valuation of d reciable assets and then depreciat may be provided on such reval amount.

4. Accumulated depreciation f method may be followed and balance accumulated depreciation may be creased every year at the current r of interest. This provision for deprec tion would automatically amount much more than the actual cost depreciable asset. Provision made this way may be sufficient to meet in increasing price level.

In my opinion, it is not practicable financial and tax accounting to charge de reciation on replacement costs. I am the opinion that some percentage over historical cost is charged as depreciati in financial and tax accounting li this : (i) fixed assets having l of five years or shorter than fi years—50 per cent more on historical co and (ii) fixed assets having life more th five years 100 per cent more on historical

Livestock growth in Haryana

Parmatma Singh & D.K. Grover

LIVESTOCK REARING is an integral part of crop husbandry in the context of Indian farming. It admirably fits in the framework of the country's agriculture. A state such as Haryana has added importance in livestock rearing. It is the native place of Murrah buffaloes and Haryana cows famous in the country for their production potential. The contribution of animal husbandry to the state income is twice as compared with the contribution of animal husbandry to the income of the country as a whole.* This reflects the importance of animal husbandry in the economy of the state. In the absence of much improvement in the animal production technology their number has a major role to play in the supply of livestock products. Moreover, growth rates of different kinds of animals also reflects to some extent the changing consumption pattern for livestock products. A district-wise study on the above aspects indicates the growth of one or the other types of animals in different districts of the state. Taking these aspects into consideration the present study was undertaken. The specific objectives of this study were:

(i) to study the trends of livestock population in different districts of Haryana state.

(ii) to find out the contribution of cattle and buffalo to total bovine population.

The study relates to Haryana state. For this study secondary data regarding population of livestock under its different heads, were used. These data relate to the period 1930 to 1966. The relevant data were obtained from the statistical abstract of Punjab (From 1930—1955) and Haryana (From 1955 to 1966) for different districts of Haryana. In this study only five districts namely Hissar, Rohtak, Gurgaon, Karnal and Ambala were considered. The district of Jind and Mohendergarh were left out as the required data for them was not available in time series. Since the five distric under study account for more than 8 per cent of the livestock population i the state, it was assumed that the result based on the figures of these district will fairly represent the Haryana stat In the case of Ambala district only tha portion of the district was considere which forms the part of Haryana stat The previous figures of the district livestock population was apportioned i the ratio of the area of the district fal ing under Haryana state and thus th figures obtained were taken for Ambal district. This was done as, at the tim of bifurcation of old Punja part of Ambala district was alloted t Punjab and remaining was awarded t Haryana.

For determining the trends a linea model as expressed below was used;

$$Y=a+bt$$

where

Y=represents the index number c population.

*In 1965-66 the animal husbandry sector contributed a little over 13% (Rs 53.8 crores) of the states income as against 7% for all India

b=represents regression coefficients in population.

t=represents time period with five year's interval.

Before fitting the regression equation the index numbers of livestock population were worked out considering 1930 as base period. The data before 1930 was not available. The functional equation was fitted for six important livestock heads viz. cattle, buffaloes, sheep, goat, pigs and poultry for all the five districts as well as for the state as a whole. The number of these livestock include their males, females and young stock. The equations were fitted to find out growth rates of different categories of livestock in the state. To test the statistical significance of the estimates of the growth rates, the standard errors of respective coefficients were also worked out. Besides, coefficient of determination (R^2) was also worked out to see the goodness of the fit.

The ratio of cattle and buffaloes to total bovine population was also worked out and expressed in percentage terms. This was done for all the district as well as for the whole state from 1930 to 1966. These figures were compared with the similar figures for the cou as a whole.

Cattle: The number of cattle highest among all the categories. C are one of the major sources of r supply in Haryana. Among all districts, the growth rate of cattle highest in Hissar (1.670 per five ye followed by Ambala (0.618), Kar (0.418), Gurgaon (0.316) and Roh (0.304). For the state as a whole, was 0.662. It was observed that Hissar district the growth rates w more than twice of the state avera while for the remaining districts it

TABLE I

Linear Growth Rate of Livestock Population

District	Cattle			Buffaloes			Sheep		
	Constant	Regression Coefficient	R^2	Constant	Regression Coefficient	R^2	Constant	Regression Coefficient	F
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(1
1. Ambala	Y=—1096.74	+0.618t** (0.2268)	0.52	Y=—551.01	+0.324t (0.4215)	0.08	Y= 2044.92	—1.004t (0.5317)	0.3
2. Gurgaon	Y=— 511.82	+0.316t (0.1697)	0.34	Y=—1437.76	+0.768t (0.4055)	0.36	Y=— 274.08	+0.211t (1.1853)	0.0
3. Hissar	Y=—3131.65	+1.670t** (0.6392)	0.51	Y=—8642.02	+4.514t (1.0779)	0.72	Y= 1297.21	—0.621t (0.4735)	0.0
4. Karnal	Y=— 711.26	+0.418t (1.7613)	0.45	Y=—1308.37	+0.714t (0.5593)	0.19	Y= 2650.52	—1.312t (0.7262)	0.3
5. Rohtak	Y=— 485.70	+0.304t (0.2587)	0.17	Y=—2990.15	+1.568t** (0.5342)	0.56	Y= 2580.64	—1.276t (1.1463)	0.1
Haryana	Y=—1180.15	+0.662t* (0.2281)	0.55	Y=—5000.50	+1.593t** (0.5398	0.56	Y= 1726.07	—0.835t (0.6984)	0.17

District	Goats			Pigs			Poultry		
	Constant	Regression Coefficient	R^2	Constant	Regression Coefficient	R^2	Constant	Regression Coefficient	R^2
(1)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Ambala	Y=1660.32	—0.804t*** (0.2139)	0.67	Y=—13820.55	+7.184t*** (1.1481)	0.92	Y=—10551.94	+5.496t** (1.8787)	0.72
2. Gurgaon	Y=1639.19	—0.792t (0.5593)	0.23	Y=—4213.06	+2.232t (1.7843)	0.32	Y=—24135.97	+12.496t** (3.8221)	0.77
3. Hissar	Y= 799 46	—0.342t (0.9638)	0.02	Y=—14827.32	+7.681t*** (1.4029)	0.89	Y=—20850.54	+10.801t** (3.8652)	0.69
4. Karnal	Y=5041.88	—2.548t*** (0.4869)	0.80	Y=—10426.97	+5.442t* (2.5392)	0.56	Y=—17903.69	+9.270t* (3.5537)	0.67
5. Rohtak	Y=3553.56	—1.782t*** (0.4341)	0.71	Y=—11122.43	+5.788t** (1.1135)	0,89	Y=—7458.29	+3.894 (2.0129)	0.42
Haryana	Y=2535.62	—1.252t*** (04118)	0.58	Y=—11433.61	+5.948t*** (0.4622)	0.98	Y=—16384.44	+8.496t*** (1.8413)	60.85

***Significant 1% level of significance **Significant at 5% level of significance *Significant at 10% level of significance.

than the states's average. The h rates were statistically significant ie districts of Hissar and Ambala he state as a whole. This indicates livestock population is getting entrated in only Hissar and ala districts of the state. Such entrations may largely influence upply and demand of cattle and products over time and space.

uffaloes: As in the case of cattle, it the district of Hissar which expe- ced highest growth rate (4.514) for aloes. It was followed by districts Rohtak (1.586), Gurgaon (0.786), nal (0.714) and Ambala 0.324 The vth rate for the state as a whole was 3. The growth rate of buffalo ulation for Hissar was nearly three es more than the average for the e. The other four districts maintain- lower growth rate than the state rage. These growth rates were ificant only for Hissar, Rohtak and the state as a whole. Table 1 shows Hissar district maintained highest wth rates for the entire bovine popu- on (cows and buffaloes) during the od of the study. On the other hand, growth rates for bovine popula- were lower in other districts than the e average. This is because the very h growth rate for Hissar district tilts state average. The concentration bovines in Hissar may be explai- l due to (i) Higher land-cattle ratio- pasture; (ii) Better climatic conditions) Comparatively less exposure to tle markets. (iv) Hissar is mainly a dry belt and grain farming has not reached the level of competition with animal husbandry which would lower the, growth rate in bovine population; animal husbandry and ultimately lower growth rates in bovine population, (v) Since Hissar is traditionally a bovine concentration belt, this tradition conti- nues from generation to generation as a matter of rearing larger number of bovines. (vi) This also may be due to vegetarian habit of the inhabitants of this area.

Sheep and Goats: The growth rate for sheep was positive but statistically insignificant for Gurgaon district. The remaining four districts as well as the state observed a negative growth rate. Although these growth rates were non- significant even then they reflect, at least. the trends existing for sheep growth. The maximum negative growth rate was observed for Karnal district (—1.312). These findings reveal that the compara- tive advantage for sheep enterprise in Haryana is much less than the dairy enterprise. Similar to sheep population the growth rates of goat population also showed a negative trend.

Pigs & Poultry: Statistically significant positive growth rates for pigs for all districts except Gurgaon as well as for the whole state show that piggary is picking up momentum in Haryana (Table I). This seems due to changing food habits. Pig meat is relatively less costly and it meets the demand of the poor. The maintenance cost of pigs is also very low thus encouraging pigs rearing.

Similarly poultry enterprise showed maximum growth rates compared to others enterprises (Table I). This shows that like piggary poultry has good po- tential for development in the state. This seems due to the impact of general economic development which perhaps is changing food habits of the people besides increasing per capita incomes.

A perusal of Table II reveals that in all the destricts expect Ambala the proportion of buffaloes to cows has increased from 1930 to 1966. Although this increase was not consistent and some middle years revealed decline in the proportion. The increase is buffalo ratio was most prominent for Hissar followed by Rohtak and Gurgaon. In Ambala the ratio of buffaloes has gone down from 45.04 per cent in 1930 to 38.31 per cent in 1966. For Haryana. as a whole there was positive shift in the proportions of buffalo and it in- creased from 41.82 per cent in 1930 to 45·67 per cent in 1966. A comparison of these proportions between Haryana and India showed that proportionate increase in buffalo population for Har- yana was slightly lower than India. It has moved from 41.82 per cent in 1930 to 45.67 per cent in 1966 for Haryana, while the respective figures for India were 20.6 per cent to 23.1 per cent.

The other important feature revealed

TABLE II

Composition of Cattle and Buffaloes to Total Bovine Population

Districts	Years	1930	1935	1940	1945	1951	1956	1961	1966
Hissar	Cattle	67.70	66.91	66.22	64.59	67.86	65.80	58.58	52.85
	Buffaloes	32.30	33.09	33.78	35.41	32.14	34.20	41.42	47.17
Rohtak	Cattle	56.38	64.41	66.93	62.03	59.50	57.85	53.21	46.60
	Buffaloes	43.62	35.59	33.07	37.97	40.50	42.15	46.78	50.40
Gurgaon	Cattle	58.87	63.73	54.98	63.13	66.04	61.01	60.41	54.96
	Buffaloes	41.13	36.27	35.02	36.87	33.96	38.99	39.59	45.04
Karnal	Cattle	53.00	62.99	62.68	60.84	64.15	60.90	56.35	52.59
	Buffaloes	47.00	37.01	37.32	39.16	35.85	39.10	43.65	47.41
Ambala	Cattle	54.96	63.81	62.48	61.91	62.85	63.90	60.57	61.69
	Buffaloes	45.04	36.19	37.32	38.09	37.15	36.10	39.43	38.31
Haryana	Cattle	58.18	64,37	64.65	62.50	64.38	61.89	57.82	54.33
	Buffaloes	41.82	35.63	35.35	37.50	35.62	38.11	42.18	45.67
India*	Cattle	79.40	78.30	78.30	77.70	77.80	77.80	77.50	76.90
	Buffaloes	20.60	21.70	21.70	22.30	22.20	22.20	22.50	23.10

*Mishra, S.N.—Some inferences from Compositional Changes in India's Livestock Population (1920-66); *Indian J. Agril. Econ.*, Vol. XXV, No. 4, PP.40-50, 1970

by this table is that almost in all the years the ratio of buffaloes to total bovine population for Haryana was nearly twice to that of India. This was an interesting statistics. These figures suggest higher degree of specialization in milk production by rearing more buffaloes. With the introduciion of new technology of agricultural production the proportion of buffaloes over cattle is bound to increase. This may be due to replacement of bullocks by machines and poor competancy of cows against buffaloes for milk production.

An Analysis of time series data for livestock growth rate revealed that the rate of growth for buffaloes was twice to that of cattle during 1930-1966. Among all the districts under study, the growth rate in Hissar for cattle and bufallo was twice that of the average growth rate for the state. The state and districts experience negative growth rate for sheep goats. The situation for goats worst. As against this the state districts experienced highest gr rate for poultry followed by pigs. T two were non-traditional livestock c gories for Haryana. The result compositional changes in cattle buffaloes showed a positive shift favour of buffaloes against cattle. was the case for India too.

Precarious power supply in Tamil Nadu

T. V. Sivaraman

THE 25-days total power cut for industries in Tamil Nadu is estimated to have resulted in an output loss of over Rs 80 crores to the state and a revenue loss of nearly Rs 2 crores to the power board. It has also affected more than half a million workers who have been laid off.

As the power cut has been relaxed from May 1, non-continuous process and non-priority industries are able to draw 25 per cent of their normal supplies. The small-scale units are given 40 per cent supplies as a special case. With the improvement in the availability of diesel oil for operating generating sets it is expected industry generally would be able to turn out about 40 to 45 per cent of their normal output.

Power supply to industries which was 60 per cent prior to April 4 was totally stopped as a result of the breakdown of equipment at Neyveli following flooding of the mines. The informal total power cut had attracted severe criticism from industries which were not even told of the nature of the difficulties and the possible duration of the shut-down.

Although the state government had announced earlier that the cut would be raised to 75 per cent, it was not able to supply even the promised 25 per cent because Neyveli was not feeding the anticipated seven million units daily and the state government was not in a position to step up generation from either its thermal units or the hydel stations. The total supply from Ennore thermal station was reckoned at 4.1 million units and from Basin Bridge one million units. The hydel stations provided five million units. Thus, had Neyveli also provided seven million units the total availability would have been around 17 million units to enable the government to sustain a 25 per cent supply to industries. But Neyveli's supply was only 4.8 million units, therefore the total supply cut was resorted to for about 25 days.

The performance of Neyveli has improved since April 28 and with the commissioning of one of the 50 mw oil-fired units the supply from the lignite complex has increased to six million units. Neyveli's output is expected to increase further by 1.1 million units by May 20 when the second 50 MW oil fired unit, which was damaged by fire, would also have been put into operation. This would raise the total supply from Neyveli to 7.1 million units so that the state government would be able to carry on with the present supply of 25 per cent to the industry. However it is not considered feasible at the moment to reduce the general power cut further because any relaxation in the cut is conditioned by the onset of the south-west monsoon. The hydel reservoirs are largely overdrawn and it will not be possible for the government to step up the output beyond the present five million units daily. The continued supply of even the 25 per cent power depends on the trouble-free functioning of the Ennore thermal station. Although the output from this station is said to be satisfactory it is not up to expectations. The units are now being attended to by the Bharat Heavy Electricals engineers. Kerala is now supplying to Tamil Nadu 50,000 units daily on a barter basis in exchange for cement. Relief to the extent of 10 million units from Kerala is also expected but this again will depend on how quickly the state's hydel reservoirs are replenished by the monsoon.

Although some of the priority industries and continous process units were work in the state even during the total po cut, they were facing the problem of ac shortage of diesel oil and water. A la number of units, particularly textile mi and engineering concerns, have their o generating sets. The recent order of union government allocating diesel power generation has made some impro ment in the position. It is reported so of the sugar mills using steam power also able to work to a limited exte However despite the improvement in t power situation factories in and arou Madras city are facing the problem acute shortage of water. The Tamil Na government had already requested t Madras Refineries and the Madr Fertilisers to close down for annu maintenance so that the water us by them could be diverted for drinki purposes. In view of the large dislocati it would cause in the supply of petrole products and cooking gas the factori have only agreed to cut down on the co sumption of water by one million gallo a day. In the suburbs many factories a going without water even though the have enough generating capacity.

In the last three years crippling pow cuts have become an annual feature Tamil Nadu. Power shortage, couple with labour unrest have accounted for sizable loss of industrial production ove the years although government statisti compiled after a gap of many months se dom present the true picture. It is not th failure of monsoon alone that is responsi ble for the power cuts. Against a dail demand of 17 million units in 1970-7 the state today needs 25 million units be cause of a sharp increase in the load. Th

efficiency of the hydel stations is be- 40 per cent and even if the reservoirs full to the brim power cuts would be itable. The state can hope to generate 4,000 m.u. from hydel sources and 0 m.u. from thermal stations against emand of 1925 m.u. annually. Thus it ecessary for Tamil Nadu to continue ing to the capacity every year.

he power plants planned during the rth Plan are still not completed for reason or the other. During the last n the state had expected to step up ver availability by an annual average 16 per cent. A similar increase in con- nption was also anticipated. But the ual increase in output and purchases rked out to an annual average of only out 4.7 per cent, from 5250 million its in 1968-69 to 6510 million units in 73-74. Consumption of power increased an average of 6.5 per cent every year to 62 million units in 1972-73. Thus while ere was a gap of two per cent between nsumption and availability the line loss the state had swelled from 19 per cent 22 per cent during the Plan period. his is traced to the expansion of rural ectrification under which 97 per cent of the villages and hamlets are covered in the state.

Although power cuts have curtailed production considerably there seems to be a sustained attempt to hide the truth under statistical window-dressing. For example in 1972 when industrial production suffered a severe jolt due to prolonged labour trouble in some of the major industrial establishments there was an actual cover up by jacking the index number of industrial production (base 1960) to as much as 192.5 from 183.9 in 1971. This was done presumably to ward off criticism because the ruling party's labour wing striving for dominance over established unions was actually the trouble maker. After a period of one year the index was quietly revised downwards by 5.5 points to 187. Index manipulation was again resorted to because the 1973 production did not justify the extent of the power cut imposed that year. According to the final figures industrial production in 1973 had fallen by 7.3 points from the previous year's level of 187.

In the face of their experience in 1973 a large number of industrial units have acquired generating sets the total output from which is now estimated at around 15 per cent of the requirements of the industry. The state was under varying degrees of power cut during 1974 as well. There was a 60 per cent cut from the first week of May till the beginning of August when it was reduced to 40 per cent and further to 30 per cent from August 10. The cut was totally lifted towards the end of August only to be reimposed in the beginning of December last year. The 40 per cent cut imposed from December 1, 1974, was raised to 60 per cent from January 10, 1975. This position continued till the complete shut-down of power for non-continous process and non-proirity industries on April 4. From May 1 the cut will be 75 per cent for large and medium units and 40 per cent for small industries. It is clear that the index number would undergo a downward revision after some time. It is also likely that the base of the index itself would be changed to fall in line with the Central Statistical Organisation which has now constructed a new series for 1974 with 1970 as the base year and giving due weightage to new industries that have emerged in the 'sixties. In this case an altogether different picture might emerge.

What's on in France

Jossleyn Hennessy
London

I
The Outlook

THE ECONOMY will expand at, by recent standards, a very slow annual rate perhaps under three per cent, at least until the middle of the year and possibly until after the summer break. A continuing high level of unemployment will keep a damper on internal demand. Higher pensions and family allowances brought forward to April 1, and a probable increase in compensation payments for short-time working, will mitigate its worst effects, but no strong stimulus to demand—VAT cuts for example—is to be expected until the second half of the year. Some repayments of last year's special tax leavy are due on July 1.

Lower interest rates and the

WINDOW ON THE WORLD

need to reconstitute inventories, which have been allowed to run down during a period of tight money, should however, start to have a favourable impact on order books in the semi-manufactured and consumer goods sectors of industry well before the half-year end. The decision to accelerate government spending on housing and public works should also make itself felt in the coming weeks.

External demand for consumer goods especially in West Germany and the Netherlands and even in Italy, should also improve. In fact West German reflation is expected to stimulate consumer spending rather more than demand for plant and equipment. Investment in Belgium is stagnating, but there should be a fairly strong Dutch demand for capital goods. French manufacturers in this sector may therefore look forward to maintaining the rather full export order books to which they have become accustomed, with the additional medium-term prospect of oil producing countries' investment plans gradually maturing into firm contracts.

With lower costs of imported raw materials, industrial prices rising at probably not more than a six per cent annual rate. and wage costs held back by widespread short-time working, the possibility of the increase in the rate of the cost of living being held down to around five per cent during the first half of 1975 cannot now be discounted. Any success the government may have in controlling inflation and public spending combined with a continuing near-balance of the visible trade account (which seems possible), will further strengthen the franc. The consequent effect on their selling prices abroad will provide an important test of the capacity of French exporters to compete on quality and punctuality and much less than hitherto on price.

II
The Political Scene

To left, right and centre the parties have opened the new year's ball with the complicated minuet perenuial in French politics.

After a heart attack, which seemed destined to remove him permanently from the scene after five years as effective leader of the Communist party, M. Marchais was back within a month with a vigorous new attack on the Radical Socialist, M. Mitterand, for his alleged readiness to serve if need be in a government under President Giscard, and for failing to reprove his fellow socialists MM. Deferre and Rocard for holding ambivalent views about the alliance of the left. The outburst was provoked by the outcome of the Social party conference in January. While rea mitting to the fold M. Rocard's ov breakaway, but anti-Communist, le wing Socialists, it decided at the sar time to exclude from the party secret riat M. Chevenement's extreme Marxi ginger group, the Centre d'Etudes Recherches et d'Education Socia (CERES).

M. Mitterand had in fact advocate a break with the capitalist systen rejected any idea of joining government of national unity an reaffirmed his belief in one of the lef resting on the confidence of a majorit of the nation. He remained tactfull silent under M. Marchais' attack, and the left alliance seems likely to hobble along for many months yet. But the Communist face a continual problem of reconciling their electoral need for the alliance with their ideological need for a distinctively Marxist-Leninist stance.

seeking a liberal image

Over on the right President d'Estaing party, the Independent Republicans (RI), are, for all the Gaullists' 175 seats in the assembly compared with their own 65, challenging the UDR (Union Democratic Republicain) for primacy within the majority of "their" president. It is the aim of M. Poniatowski, minister of state and the president's right-hand man, to build up the RI into a popular party, putting up candidates against the Gaullists if necessary at future local and national elections in constitutencies where there is no serious threat from the left. Only 17 out of the 65 RI deputies voted in favour of the new abortion law, and the party probably has some way to go before it establishes a convincing "liberal" image compatible with M. Giscard's own views on the reform of French society. These were spelled out again in the president's recent TV fireside chat in which he laid down this year's ambitious programme for reforming company law, divorce law and the public education system.

In February M. Chirac (the prime minister) obtained the overwhelming support of the UDR party conference (847 votes out of 915) for his assumption of the office of secretary-general. In the national assembly M. Chirac may enjoy proportionately less support from the parliamentary party than he has from the party conference. He can count on

ut of 18 votes of the UDR member's mittee. Dissident Gaullist number aps 15 or 20 at present. But as the t eligible potential Gaullist candidate the next presidential election M. rac is in a strong position.

Whatever divisions may exist within h the right and the left, neither UDR-RI coalition nor the alliance the Left are in imminent danger of falling apart. The prospect of any ecive coagulation of the centre parties, the other hand, seems as remote as r. Even if, as always seemes possi-, the Radical Socialists under M. bert Fabre were to drift away from alliance of the left, they would be urning to a Radical party itself deeply vided between the supporters of M. . Servan-Schreiber and its own left-rd-looking wing. These differences e as much personal as doctrinal. It is ssible that when Servan-Schreiber's rm as secretary-general comes to an d in October his successor (who uld be M. Perronet or Mme Francoise iroud, both members of M. Chirac's overnment) will more effectively main-in party unity, and even draw it into coalition of the liberal left with the inister of Labour, Michel Durafour. is Movement de la Gauche Reforma-ce has recently become increasingly ienated from Centre Democratie et rogress under M. Jacques Duhamel. he minuet in the centre of the ballroom which, of course, M. Lecanuet, the inister of Justice, and his Reformists lso play their part. is thus especially ntricate, M. Giscard's ambition to overn France from the centre will not e easily achieved.

hreat to democracy

Nearly two centuries of history have convinced Frenchmen that professional soldiers are a threat to democracy, which is therefore best safeguarded by having a mainly conscript army. Where-as the navy and air force now consist almost entirely of regulars, closely-knit bodies of men with a high technical capacity. out of the army's present strength of about 300,000 some 216,000 are national service men. Their pay is derisorily low (Fr 2.50 a day—it was recently faised from Fr 2.0 plus free cigarettes) and living conditions often not much above 19th century levels.

In order to concentrate defence spend ing on the nuclear deterrent successive governments have, over the past 15 years, been content to take advantage of this large pool of compliant training fodder, skimping on pay and conditions and even to some extent on modernising the army's conventional weaponry. The depressing effect off this policy on the morale of both regular officers and NCOs and of their conscript troops has recently become apparent. More than half the officer corps is said to have voted for the opposition leader, M. Mitterand, and discontent in the ranks has erupted thrice into public protest marches by conscripts against pay and conditions.

Small in scale but wide in effect, these incidents (for which punish-ment has so far been discreetly mild) have resulted in the replacement of M. Jacques Soufflet as Defence minister by M. Yvon Bourges, who served in the cabinet under both de Gaulle and Pompi-dou, and in the appointment as his secretary of state of General Marcel Bigeard, a former conscript of pre-1939 vintage, since then much decorated, and with strong ideas about breaking down differences between officers and other ranks under training, and about elimi-nating peace-time distinctions between fighting forces and dug-out administra-tive staffs. A root and branch reform can be expected, with financial priority to improve conscripts' pay and condi-tions. Even if the long tradition of a citizen's army cannot be abandoned at a stroke, an effort will be made to attract a much higher proportion of regulars than in the past.

III
The Economy

Of todays' three main problems for western economies, payments, prices and employment, the French government is determined to give absolute priority to the first two, even at the cost of some neglect of employment. Despite the considerable slowdown in economic activity which now appears to have occured during the second half of 1974, President Giscard, as is evident from his monthly TV fireside chat, is not prepared to be panicked by the level of unemploy-ment into premature reflation.

The recently improved trade figures and the slowing down in the rate of increase in prices have both been largely assisted by the decline in domestic demand. Now is not the moment in the President's view, with the future development of both still so delicately balanced, for any but the most gentle and selective stimu-lants. The lowering of interest rates conveniently follows an international trend. Positive action by the govern-ment can for the time being be confined to two main areas: Providing relief to those, such as pensioners and the lower paid, least able to look after themselves amidst recession and rising prices, and making more generous compensation to those hit by unemployment and short-time working.

The Iranian government has acquired a 40 per cent share in a Franco-Iranian holding company which will take over part of the French government's interest in Eurodif, the international consortium constructing the uraniaum-enriching plant (by gas diffusion process) at Tricastain in sourhern France. France, with a 43 per cent share in Eurodif, will be the dominant, but no longer the controlling partner (Italy 25 per cent; Spain and belgium 11 per cent each; and Iran 10 per cent). A loan of $1.000 million from Iran to the French nuclear agency CEA should also now enable work to go ahead on Eurodif's second plant.

IV
Foreign Trade and Payments

France's gold reserves were revalued in January at $170.40 an ounce (the average of the two daily fixings on the London market for January 7), thus almost quadrupling their total nominal value from Fr 19,600 million to Fr 75 000 million. The value of foreign currency reserves fell slightly from Fr 17,200 million to just under Fr 17,000 million have revalued at the markets rates for January 7. Both will be sub-ject to a twice yearly review, foreign currency on the basis of the latest avail-able rates, gold on the basis of the pre-vious three months' daily fixing at London and Zurich. The government accepts SDRs as the main instrument for internatianal settlements. The revaluation merely formalises a situation already evident to anyone prepared to do the necessary arithmetic.

There was a surplus on visible trade in December for the first time for a year Adjusted seasonal exports covered im-ports by 102.1 per cent. The January coverage—98.5 per cent—was only marginally less satisfactory (and itself an improvement on the 97.2 per cent recorded in January, 1974), and it does appear as though visible trade has got back into approximate balance a good deal more rapidly than most people out-side the government were forecasting a year ago. Apart from a continuing good export performance (the value of exports rose by 30 per cent in 1974, despite an internal rate of inflation of 15 per cent) there have been two major contributory factors: the poor perfor-mance of the dollar in relation to the French franc, which has substantially reduced the franc cost of oil imports, and the general decline in economic

activity in France during the second half of 1974, which has slowed down imports. Both these factors have been influenced in part at least by the French governments tight many policies.

Not surprisingly the Trade minister M. Segard has been making optimistic noises about the current year. He forecast that the value of agricultural exports semi-manufactured and consumer goods could each rise by Fr 2,000 million and that of capital goods by Fr 5,000 million. Savings on the bill for raw materials (other than oil) could amount to Fr 1,000 million, Allowing for an increase of Fr 3,000 million in the cost of imported energy, a net gain of Fr 9,000 million could thus reduced the total trade imbalance to around Fr 8,000 million from its 1974 level of around Fr 17,000 million (owing to uncertainty about invisibles) the outcome for last year could prove to have been not quite so dramatically far below the government's critical target of Fr 20,000 million.

trade imbalances

The imbalance on invisible trade causes growing concern, having risen from Fr 1,800 million in 1971 to Fr 6,100 million in 1973. According to one estimate it may prove to have been as as much as 50 per cent of 1974's total trade deficit. Immigrants' remittances (Fr 7,400 million in the first nine months of 1974) are a substantial and unavoidable charge on invisibles, but the government seeks to encourage savings elsewhere. Undoubtedly an important factor is the cost of sea transport, which is thought to have accounted for Fr 3,000 million of the 1974 deficit, This is partly because small and medium sized enterprises prefer to sell FOB. and where selling is CIF or forwarding agents are employed, because of the relative uncompetitiveness of the French merchant marine. In 1972 only a third of French foreign trade by sea went in French ships, and the proportion is thought to be still well under half. Bulk cargo—oil, iron ore, coal, phosphates—was 80 per cent of seaborne imports in 1973. At the beginning of 1974 France's tanker fleet was 121 ships averaging 45,000 tonnes dwt, 239 freighters averaged 8,000 tonnes. Of the total merchant fleet of 484, there were at that time only 11 container ships.

The cost of oil imports rose Fr 33,000 million in 1974. A major short-term contribution to counter the effect of this increase is still expected to come from economy in fuel use. Consumption of crude petroleum fell by 5.6 per cent in in 1974 (compared with an 11.6 per cent increase in 1973). The 1975 target is a 10 per cent reduction on 1973, with domestic heating fuel to contribute a more substantial saving (—15.3 per cent) than petrol (—3.4 per cent), or industrial fuel consumption of which is expected to rise by 2.6 per cent. Indeed, little attempt has been made to encourage economy by industry which will also increase its use of natural gas.

export credits

National consumption of natural gas (19,000 million cu.m. in 1974) is expected to rise by over 30 per cent by 1976 and by a further 28 per cent (to 32,000 million cu.m.) by 1980. Deliveries of Soviet gas should begin in 1976 at an annual rate of 2,500 million cu.m. at a price as yet undisclosed. In 1974 the Soviet Union delivered four million tonnes of crude oil at a price not far below that of the middle-east. The new ten year trade agreement signed following Mr Brezhnev's visit to Paris last December stresses export credits at low interest rates because of the USSR's shortage of foreign currency.

(I have never been able to understand why the west treats the USSR as a developing country and subsidises its industrial expansion by by uneconomic export credits when the USSR's long term aim is to eradicate democratic freedom throughout Europe and to substitute for it "democratic socialism" which is neither democratic nor socialism, except as defined by the privileged party bosses in Moscow. Perhaps a spoke sman of the Soviet embassy in New Delhi would be good enough to enlighten my darkness).

Repayment of France's export credits on low interest rates to the USSR still partly is through goods delivered from French built plants in the USSR, including components for nuclear reactors!

Special low interest export credits will also be available to Poland mainly for the purchase of French capital goods. The agreement provides for a substantial increase of imports of Polish coal, which rose from two million tonnes in 1973 to 3.3 million in 1974. The volume this year will be the same as in 1974 (1.9 million tonnes of steam coal and 1.3 million of coking coal). Coking coal imports will continue about this level, but steam coal imports will be increased by 50,000 tonnes annually until 1980, and probably after, so that by 1982 coal imports from Poland may be above seven million tonnes. Th into France's policy of divers energy imports both by type an provenance.

The other main means of count ting oil price increases—improved e to oil producers—may not be as suc ful as many hoped. In 1974, the of exports to the middle-east oil ducers rose 76 per cent, but this is only five per cent of total exports, compares with a rise of 217 per in the value of imports from the producers. The many deals of the eighteen months (including 210 mili aircraft and other armaments) are ful interim sources of payment until larger capital development projects s returns in later years. Nogotiations the building of a Teheran undergro railway in fact began well before Octo 1973, but no contract for this Fr 8, million scheme has yet been signed.

two more scalps

M. Norbert Segard, newly promo minister for Services to Exporting, added two more scalps to his belt agreements for French technology in wide range of agricultural and industr projects in Egypt and Libya. But th is some way to go before any contr is signed. An official Egyptian commu que said "It has been decided to set a working party to study how to imp ment the projects", and at a press co ference at Tripoli M. Segard announc that the Libyan prime minister, Jalloud had proposed the "conclusi of a Libyan-Arab-French contract th would enable the countries to participa in investment projects." Nor do speci projects, once agreed, provide by a means as full a return of export ear ings as French ministers' euphor announcements convey.

The export content of the pr posed Fr 10,000 million scheme construct 200,000 houses in Tehera e.g., might prove to be abo 20 per cent. Nevertheless the rewards France's persevering commercial diplo macy in the middle-east should ultima tely prove substantial.

Sources and acknowledgements: Th foregoing summarises, by special arrange ment with the Economist Intelligenc Unit (27 St James's Place, Londo SWIA; INT), the latest issue of th EIU's 8,000 word copyright quarterl review on France, available to subscri bers only, obtainable in India fro J.A. Shah, 67 Marine Drive, Bomba 20.

Britain and its love-hate for Common Market

Vienna

E.B. Brook

THE British move towards making eir decision whether or not to remain mbers of the European Community, ore generally but less correctly called e Common Market, there is no lack of nfusion, uncertainty and warning noises. me of the last are are made by the itish themselves, others by various ntinental neighbours. In only one asct is there consistency. No voice from e continent has told the British they are t wanted to leave the Community which ey joined so late and only after expericing two refusals of their application. rom British itself the noises are typically nfused and from the USA has come a mbre warning to the British— of all eople — that they are becoming ungoernable and drifting towards the fate of hile.

What is significant about this US warng, made by a broadcaster of whom most ritish people had never heard, is that his varning has been taken up enthusiastially by the *London Times* which, as the ritish puzzle whether to vote yes or no ext month, tells them"... the will to reorm our nation does not yet exist and it s now much more likely to be created by lecisive suffering than by decisive wislom."

steady decline

As the pound sterling sinks steadily below the lowest level it has ever declined to against other currencies these warnings and chidings make a strange background to one of the most important decisions the British have had to make for years. In a sense they contradict the urgings from the continent to remain European; in another they confirm others' impression of a nation unsure of its own mind. Having been foremost 15 years ago in helping to found EFTA, in part as a counterblast to the Common Market or, at least, an alternative, they spent most of the next twelve years trying to join the Market and now, having got in, are trying to decide whether they really want to belong to it.

Three weeks ago, as mentioned in the last article, M. Monnet, "father of the Market", decided to dissolve his Action Committee for the United States of Europe. There were deserved tributes to his concept of unity, to the vision of a united state in Europe moulded out of peoples with four major languages traditions, ways of thought and manners of conducting government and business. But, in a sense, in the mental recoil from the material and human destruction of the last war, even the Europens lost sight of the distinction drawn by another great Frenchman, Aristide Briand, in 1929 between "unity" and "union". The one is possible, the other difficult to maintain. It is that difference and an innate disinclination to mix in with the continent that is now bothering the minds of the British.

ungovernable British

Only two things are clear: that the British (all parties) have the impression that, having joined, they can remould the Market and that the Market, having at third asking, accepted the British, have no intention of being pushed about by them. When to this contradiction is added the American voice calling the British ungovernable and the spectacle of an increasingly worthless pound it is not a matter for surprise that there should be uncertainty.

Domestic politics enter very potently into right-wing condemnation of the British at the present time. The world for them is topsy-turvy. All the former great names are in the red. Rolls Royce went bankrupt: Leyland is being saved by loans and a form of nationalisation; Chrysler UK, hoping to avert another strike, wants a £ 35 million loan and offers workerparticipation in management. If the British vote against remaining in the Market, into which they were manoeuvred by the parliamentarily astute Mr Heath, the rightwing can probably be counted on to boil over for a time. It may not be unreasonable to ask — which British are becoming ungovernable '

The uncertainties of the west must make sweet reading in the east of Europe, not least the angry warnings of their expatriated literateur Alexander Solzhenitsyn who has called western democracy "weak and ill-prepared". As western business men dealing with the Soviet Foreign Trade ministry and other official foreign trade organisations in east Europe have discovered, "weak and ill prepared" is exactly what they are not. They have been dismayed by the committees of highly expert and precisely informed men and women bargainers they have had to face, often to find their own imprecision and insufficient information exposed politely but ruthlessly. The scramble to sell licenses to east Europe and the eagerness to make cooperative deals in manufactures are now coming home to roost as textile and automobile manufacturers in west Europe complain of price-cutting and lowcost imports from Poland and "dumping" of copies of cars they have taught the Russians and the Poles how to make. West Europe is, at least for the time being, a "soft touch" for the relatively cheap labour and concentrated, coordinated manufactures of east Europe.

eager beavers

The Chinese decision to send an ambassador to the Market in Brussels and to conclude a trade agreement contrasts with the a most aloof reception given to the Common Market delegation which visited Moscow early in the year. In both cases the approach was made by the Market and is fairly typical of the eager west European attitude for communist trade. Austria as a place of transit for trade between west and east Europe has, according to the Austrian National Bank, more than trebled its business since 1971. The most eager beaver for eastern trade is West Germany: the bank's figures show that more than a third of the transit exports to east Europe it handles come from West Germany and most of the trade is with the orthodox communist states rather than with Yugoslavia which gets considerably less than one fifth of it.

The overall pattern today appears to be that while the Common Market looks cautiously but hopefully eastwards to the communist and to the increasingly industrially strong states of south-east Asia, the west Europeans strive for east European trade. The Commonwealth, still considering Mr Wilson's not so original ideas on commodity prices expressed at Kingston, Jamaica, queues to sign agreements with the Market. India's bilateral textile trade deal with the Market, New Zealand's prospects of better prices from the Market for its dairy exports and plans for cooperation with Canada are only examples of the current Common-

wealth follow-up of British membership of the European Community. India, Bangladesh and Pakistan as well as Australia and New Zealand have none of those theoretical hesitation about the Market which are said to plague the British. In fact, much of those hesitations are little more than last-minute efforts by interested parties before the British confirm their membership.

If Britain were so unwise as to leave the Market now it would find it had divorced itself from the Commonwealth more than ever. The sheer economic weight of the Market — and increasingly of Comecon — matters more to the trade-hungry tions of the Commonwealth than Britain. Commonwealth trade with other eight Common Market count was bigger last year than all intra-C monwealth trade with Britain. When beneficial effects of new agreements realized the contrast will be greater sti

Four days in Warsaw

S. P. Chopra

> Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, was in Warsaw for four days from March 19 to 22, 1975.

APPROACHING WARSAW by train in the early hours of cold and misty morning on March 19, 1975, I had a glimpse of the rural scene in Poland through small agricultural holdings along the railwayline wherein the owners reared their own poultry and livestock. Near the relatively big towns the smoky chimneys and the cobweb of overhead electric wires bore testimony to the steady pace of industrialisation attained by Poland in three decades of socialist planning and administration. Since I spent all the four days — March 19 to 22 — in and around Warsaw, the observations made here may or may not apply to the whole country.

As a regular reader of *Poland*— an illustrated monthly magazine — I was struck by the obsession of the editors and commentators of this journal with World War II. During the last decade I had not seen a single issue of this magazine which did not refer to the immense loss of life sustained by Poland in the last war. It appears a bit odd and somewhat jarring on the ears because most of the Eurppean countries had suffered heavy casualties in the six years of the war and Poland was no exception.

a deep obsession

The reason for the deep obsession of the Polish people with World War II became clear to me when I saw (in the old part of Warsaw) an 18-minute documentary relating to the destruction of Warsaw. It showed how the city was systematically razed to the ground. The death toll was as high as 750,000. West of the river Vistula, where the bulk of the city stood, there were no survivors. Either people had fled or were buried in the debris. The havoc caused was too harrowing to be described in words.

While Warsaw had the ill fortune to face complete destruction the losses in other parts of the country were no less. Out of a total population of 33 million, it lost no less than six million. It took Poland nearly three decades to raise its population to 33 million again in 1974. No wonder that editors of *Poland* were unable to forget this tragedy.

In sharp contrast to this unhappy patch in recent history, the people of Poland possess a lively sense of humour and have the capacity to laugh at themselves. I heard a number of jokes in Warsaw which purported to have a dig both at the government and the people. "Poland for Beginners" and "Incredible Warsaw" by Olgierd Budrewicz — two introductory books for tourists — are written in a racy, humourous style and not in the dull-as-ditch-water fashion usually preferred by other countries in eastern Europe. Discussing the renting of bridal gowns in Warsaw at 57 Sienna Street Station, Budrewicz states: "No harm done in visiting an institution of this kind even if you are not planning to get married. The collection of gowns is found in an ordinary room behind a section wall covered by a colourful print. Only a fraction of the 20 dresses are fit to be worn. The gowns are valued at up to 3,000 zlotys each. The rental fee is 500 zlotys. The veil is an absolute must. No wedding is valid without a veil. Even ladies somewhat advanced in age and in other matters ask for veils. Most of them come to choose the gown with the groom. But it is the husband alone who returns the dress four days later .

Here is another excerpt from a write-up on Powazki cemetery:

"The most curious grave is that of a man who at the age of 29 committed suicide out of love for a well-known actress.. A poem by one of the 18th century poets was engraved on the tombstone. The actress who now lives abroad, had visited Warsaw recently. She visited the grave of her tragic admirer. The old man at the cemetry had the following conversation with her:

"Did you know him, Madam?"

"Yes, he was in love with me".

"He died so young"

"He did. For me".

"In that case, perhaps, you will buil monument on his grave".

"Why? Do you think for a moment th he was the only man who committed su cide for me"?

Varying estimates of Poland's p capita income exist; they range betwe $1,000 and $1,400. According to t World Bank, the per capita GNP of P land was $1,500 in 1972. Czechoslovak with per capita GNP at $2,180 was at t top among the east European countri followed by the GDR at $2,100, the USS at $1,530 and Hungary at $1,520. Bu garia and Rumania were estimated to ha per capita GNP in 1972 at $1,420 an $810 respectively.

low per capita income

A Polish economic commentator M Andrzej Lubowski has estimated tha in per capita income, the GDR, Czechoslo vakia, the USSR and Hungary were a above Poland while Bulgaria and Rumani were below it. According to him, if Po land's per capita income in 1973 was take as 100, the GDR was at 141, Czechoslo vakia at 128, the USSR at 108, Hungar at 101, Rumania at 87 and Bulgaria a 84.

All such comparisons were no more tha approximations as they depended upon a number of factors, the most importan being the rates of exchange assumed between the dollar and the currencies of these countries. The gap between the official and non-official rates was wide and variable, and the estimates of per capita income varied according to the rate of exchange assumed by the computing agency.

The dollar continued to occupy a dominant position in all east Europen countries including Poland. It was intriguing that the West German Mark which was much stronger than the dollar in the money markets of the world had no superior appeal in Poland and other east European coun-

es. May be, this was also a legacy of orld War II.

Perhaps these statistical data do not arly show the level of living attained by e people in Poland in general. In and ound Warsaw, the people had access to ost of the daily needs of life. The food-uffs were cheap and prices had been sup-essed deliberately. At places, queues of ople wanting to buy meat or fruits uld be seen but by and large there were shortages. For delicacies and also for tistic products, some shops run by pri-ate individuals could be seen. Housing ortage was acute despite extensive onstruction activity undertaken inand ound Warsaw.

In ordert to understand the impact of e rise in crude oil prices by more than 00 per cent, I met Mr Wiktor Maslik, ice-Director of the Heat and Power In-ustry department of the ministry of lining and Power Industry, who out-ned for my benefit the strategy chalked ut by the Polish government to face the hallenge posed by the energy crisis. At-empts were being made, he said, to cur-ail the consumption of petroleum and etroleum products. Increased reliance vas being put on coal and thermal power. While there were apprehensions that the ncrease in oil prices might give a push up-vards to prices, no appreciable effect had been seen till the middle of March this year. Perhaps a little more time was needed to fully comprehend the full implications of the steep rise in oil prices. Also, Poland having exposed its economy to the non-socialist countries through steady expan-sion in trade, could not escape for long the effects of world-wide inflation.

steady expansion

A visit to PAP-Falencia — a unit which has specialised in the technique of indust-rial automation — was instructive in more ways than one. First it showed the steady expansion of Polish industry in sophisti-cated fields. Second, it was interesting to know that this unit had supplied to our country two rolled glass factories in 1964. Third, it was a revelation to me that this Polish enterprise was manufacturing highly technical equipment as a sub-contractor to a West German multinational. Even the name of the multinational was em-bossed on each unit of the equipment. It appeared that the West German firm was making use of the cheap but highly skilled labour in Poland for the manufacture of its products. Through strict quality con-trol, it was able to get manufactured equip-ment according to specific standards which it exported to the world markets under its own banner. I was told by the manager of this enterprise that this was not a solitary case; many other Polish firms were acting as sub-contractors to foreign multinationals. In fact this was reported to be the back-bone of the east-west trade in Europe.

Inequalities in income do exist in Po-land. At the higher levels, the income-tax is high. The number of individuals pay-ing income-tax in 1973 was 229,000 and the total tax collected was 4715 million Zlotys. More than 140,000 persons earn-ed incomes of more than 100,000 zloty each and they had special accounts which were thoroughly scrutinised by income-tax authorities.

high rate of growth

The rate of growth of the Polish eco-nomy since the beginning of the current decade had been much faster than had been anticipated by the planners. This was revealed in an exclusive discussion with Dr Hatt of the Polish Planning Com-mission. The five-year plan ending in 1975 had envisaged an annual rate of growth in national income at 6.8 per cent but in the first four years (for which data were available) the rate was as high as 9.9 per cent. Similarly the net domestic pro-duct rose at the rate of 12.9 per cent per annum in the four years ending in 1974 as against the targeted rate of 7.1 per cent. It was the result of this favourable trend that the annual rate of rise in consump-tion at 9.3 per cent was significantly higher than the stipulated target of 6.8 per cent per annum. The unexpected upsurge in growth was utilised in stepping up the annual rate of investment from the pro-posed 8.0 per cent to 20.9 per cent.

The wave of economic prosperity was witnessed both in industry and agriculture. Whereas the annual expansion in industry was 10.9 per cent (target: 8.3 per cent), the rate of growth in agriculture was 5.3 per cent per annum (target: 3.9 per cent). The performance in agriculture was indeed praiseworthy because such a high rate of rise in output was recorded despite the fact that 1974 had brought ex-cessive rains to Poland which caused extensive damage to such crops as beet-sugar, potatoes and vegetables.

A major thrust was witnessed in foreign trade. The five-year plan had set the tar-get of annual growth in imports at 9.8 per cent and exports at 9.2 per cent but in the four years ending in 1974, imports rose at the annual rate of 18 per cent while exports improved at 10.9 per cent per annum. And all these expansions were in real terms i.e. after eliminating the impact of rise in prices.

In industry, the planners had assumed a rate of rise of 5.1 per cent in productivity but in actual terms, it turned out to be much better at 7.5 per cent per annum. Consequently, real wages per worker wit-nessed a boost. As against the targeted rise of 3.4 per cent per annum in 1971-75, actual wages rose at the rate of 7.8 per cent per annum. No wonder that mini-mum wages also rose significantly. The dynamic development of the economy had provided material prosperity and all-round

improvement in the standard of living.

Poland has two characteristics which distinguish it from other socialist economies in eastern Europe. First, the preponderance of private sector in agriculture and second, the hold of religion on the people. The Polish government instead of disturbing these age-old traditions had tried to turn both these peculiarities to state advantage.

In contrast to most of the socialist economies of eastern Europe, agriculture in Poland continues to be by and large in private hands. As much as 80.7 per cent of arable land is in private hands, the shares of the socialized and cooperative sectors being 17.3 per cent and 1.4 per cent respectively. But what is the significance of private ownership of land when the peasant is dependent on the state both for agricultural inputs and the sale of preduce? Mr Chelstowski, editor of *Zycie Gospodarcze* (Economic Life) told the present writer that the levers of control were judiciously operated by the state so that a balance was kept between agricultural and non-agricultural incomes. For a long time, agricultural prices had been pegged down with the result that productivity of land rose but slowly. To accelerate agricultural output by 19 to 21 per cent in the period 1971-75, a number of new measures were introduced, the most important being the abolition of compulsory deliveries with effect from January 1, 1972.

the new method

The new method involved the entering into a contract with each peasant for the supply of produce at predetermined prices. Such long-term contracts led to increase in production which was more than five per cent per year in the four-year period ending in 1974. Along with raising the level of agricultural production, the state tried to narrow the gap between the standards of living in rural and urban areas. For example, the state extended the right to free medical service to individual farmers — 6.5 million in numbers — in 1973. Surely, the burden of such a facility could not be of a mean order.

The hold of religion in Poland is quite extensive. The Polish constitution guarantees freedom of "Concience and religion" provided religion is not used "as a pretext for political activity directed against the state". The chruches and other religious property have been systematically handed over to the Roman Catholic Church—the predominant church — and other religious bodies. The state has endeavoured to establish normal relations with the church. Consequently, an atmosphere of mutual confidence and cooperation has prevailed, especially during the past two years. Only last year, the Polish Foreign minister, Mr Stefen Olszowski is reported to have said: "The Polish People's Republic repeatedly stressed the importance of the contribution made by Catholics to the fulfilment of the general national programme and affirmed that the Church has an important role to play in this respect. The government also found that the activity of the lay Catholic organisations, namely PAX Association, the Christian Socialist Association, Catholic Intelligentsia clubs and 'Caritas, Catholic Association has been positive". The church has also recognised the attempts made by the state to normalise the relations. While the believers in religion are faithful to the socialist system in Poland, they enjoy freedom in religious matters. In fact, the state has very often sought the assistance of the church in making people work wholeheartedly for improvement in the level of economic activities.

rise in income

The year 1974 saw a 10 per cent rise in national income (See Table I) despite the fact that the agricultural sector had not done well. As stated earlier, because of the fall in the output of potatoes, sugar-beet and vegetables, the net increase in agricultural production was no more than two per cent. Thus it was due to the marked improvement in the industrial and tertiary activities that the Polish economy was able to give a good account of itself

TABLE I

The Development of Polish Economy in 1974

(1973=100)

	Index numbers in 1974
National income	110
Value of invested assets	106.8
Wage in real terms	108
Turnover of foreign trade	131.5
Investment in national economy	125.6
Output (sold production) in nationalized sector	112.2
Production of constructing enterprises	117.7
Agricultural production	102
Goods movement in nationalied transport	113.1
Employment in the nationalized economy	103.3

in 1974. The best performance was of oilseeds with increase in produc in 1974 over 1973 by 23.1 per cent (T II). In the case of industrial produ computers (See table III) led with a of 36.8 per cent in production followed machine tools (for plastic forming) at per cent, electrolytic copper at 24.4

TABLE II

Poland: Agricultural Progress in 1974

(Main Crops only)

(1973=1

Item	Output per hectare (in quintals)	Ind numbe in 197
Four crops	**28.3**	**106**
(a) Wheat	31.7	107
(b) Rye	25.1	103
(c) Barley	31.8	108
(d) Oats	27.5	108
Potatoes	181	93
Sugar-beet	294	95
Oilseeds	19.7	123

cent, radio-receivers at 23.4 per cent an apparatus for automatic regulation at 20 per cent. There were some industries suc as machine tools, phosphate and cotto fabrics which indicated marginal improve ment but the value of industrial produc tion as a whole was well above 10 per cen It was because of the improvement in th performance of all sectors of the econom that wages in real terms went up by a much as eight per cent in 1974 over 1973.

The planners envisage a seven per cen rate of rise in national income from 197 to 1990. The number of new jobs is no expected to increase in the same way as i 1945-74. The country will have to face serious problem in the location of nev factories if the evil effects of pollution ar to be avoided. At the same time, the em phasis on transport, water supply, ship building and coal mining will increase.

As stated earlier, the population of Poland had already reached the level of 3 million which it commanded in 1939 The increase in population resulted in steady expansion in manpower, from 0.9 per cent per annum in 1951-55 to 1.6 per cent per annum in 1966-70. During the

-year period ending in 1975, the annual of rise in the working force is expected be maintained at 1.6 per cent but in the t 15 years, the rate of rise in manpower rease is expected to decline largely because of the improvement in the standard living of the people. The annual increase in manpower is anticipated to fall 1.4 per cent in 1976-80, to 0.7 per cent 1981-85 and to 0.4 per cent in 1986-90. land cannot rely on increasing man wer for the expanding activities of the nomy, especially in industry and serces. It will have to fall back upon techniques of improved productivity and effincy. Hence the need for automation on extensive scale.

The structure of consumption in 1970

TABLE IV

Manpower Increase Per Cent

1951-55	0.95
1956-60	0.7
1961-65	1.25
1966-70	1.6
1971-75	1.6
1976-80	1.4
1981-85	0.7
1986-90	0.4

ndicated that food and beverages (includg alcohol) accounted for 61.1 per cent of ncome followed by clothes and shoes at 4.7 per cent, services at 12.8 per cent and ent, furniture and electricity at 11.4 er cent. The projections made by the lanners for the decades ending in 1980 nd 1990 assumed reduced proportion of xpenditure on food and beverages and increases under all the other heads with a harp upturn in the case of services. In 990, the average consumer is expected o spend as much as 29.3 per cent on ervices, 28.9 per cent on food, 17.3 per cent on rents and furniture, 16.2 per cent on shoes and clothes and 8.3 per cent only on alcohol and other beverages (See Table V).

TABLE V

Structure of Consumption from Individual Income

	1970	1980	1990
Food	47.8	38.5	28.9
Alcohol etc	13.3	11.3	8.3
Clothes & Shoes	14.7	17.1	16.2
Rents, Furniture etc	11.4	12.4	17.3
Services	12.8	20.7	29.3

TABLE III

Poland: Production of Selected Goods in 1974

(1973=100)

Items	Unit	Production (1974)	Index numbers in 1974
Hard coal	Mln. ton	162.0	103.4
Processing of crude oil	,,	11.4	104.9
Electrical energy	Bln. kwh	91.6	108.6
Steel	Mln. ton	14.6	103.6
Rolled products	Mln. ton	10.6	107.0
Steel pipes	Thousand km	243.2	107.8
Electrolytical copper	Thousand ton	194.5	124.4
Bearings	Mln. pcs	84.6	113.0
Machine tools	Mln. Zloty	4527.0	102.3
Machine tools for plastic forming	,,	639.1	126.5
Electrical machinery	MW	10285	109.6
Apparatus for automatic regulation and steering	Mln Zloty	4729.0	120.2
Computers	Mln. Zloty	891.3	136.8
Agricultural machinery	Mln. Zloty	9972.0	119.5
Cars	Thousand pcs	132.8	117.6
Atricultural Tractors	,,	55.1	111.0
Sea-going vessels	Mln. Zloty	16526	106.5
Radio-receivers	Thousand pcs	1419	123.4
T.V. sets	,,	895.9	112.6
Tape Recorders	,,	602.2	118.1
Household washing machines	,,	555.6	107.5
Household refrigerators	,,	657.0	109.4
Sulphuric Acid	Thousand ton	3319	113.9
Fertilizers (calculated according pure content)			
Nitrogen	Thousand ton	1458	106.7
Phosphate	,,	823.6	101.2
Synthetics	,,	396.4	118.7
Synthetic rubber	,,	100.5	107.2
Synthetic fabrics	,,	196.3	110.0
Pharmaceutical products	Mln. Zloty	10646	118.0
Cement	Mln. ton	16.8	107.8
Furniture	Bln. Zloty	20.7	117.7
Paper	Thousand ton	969.1	103.1
Cotton fabrics	Mln mtr	884.9	102.0
Woollen fabrics	,,	117.2	109.3
Shoes	Mln pair	124.3	107.1
Meat	Thousand ton	2177	115.0
Meat products	,,	609.1	106.0
Poultry	,,	134.6	118.9
Sea-fish	,,	582.4	103.9
Butter	,,	197.8	109.5

Note: Working efficiency per worker rose in 1974 by 9.5 per cent.

TRADE WINDS

Small Savings

ADDRESSING THE Small Savings Advisory Committee meeting recently, Mr C. Subramaniam, union minister for Finance, pointed towards the tax concessions for long-term savings included in this year's Finance Act: "Contributions to 10-Year and 15-Year Cumulative Time Deposit Schemes and the Public Provident Fund will qualify for these incentives. It has been decided to offer further tax incentives to encourage investment in small savings securities. The present limit on holdings of tax-free National Savings Certificates is being raised from Rs 50,000 for an individual and Rs 100,000 for joint accounts to Rs 75,000 and Rs 150,000, respectively, from this year.

For regular savers, the 5-Year Recurring Deposit Scheme is being improved. Subscribers to the scheme who wish to continue their contributions or keep the maturity value with government beyond the 5-Year period will be allowed to do so and they will continue to earn interest at 9¼ per cent compound for each completed year.

The 5-Year Recurring Deposit Scheme has an element of social security built into it. In the event of the death of a subscriber contributing to a Rs 5 or Rs 10 account after his account has been current for two years, his family gets the full amount as if the subscriptions had been made for the entire 5-year period. This benefit is now being extended to accounts of Rs 20 denomination also. The additional benefit to the family under this scheme would go upto Rs 1000.

To cater to the needs of individuals who may wish to save now to provide for a future recurring liability like children's education, "10-Year Annuity Certificates" are being introduced. Under the scheme the initial deposit of Rs 3200 or multiples thereof can be paid either in lump, or in instalments within two years. Three years after the deposit, the depositor will receive in the next 84 months interest payments at the rate of Rs 50 per month for a deposit of Rs 3200. The scheme has the added attraction of the refund of the full amount of the deposit together with a handsome premium on the expiry of the 10-year period.

IFCI Bonds

The Industrial Finance Corporation (IFCI) is issuing public bonds for Rs 11.25 crores to augment its resources. The subscription list will open on June 9, 1975 and close on June 14 or earlier as soon as the issue is fully subscribed. The bonds are fully guaranteed by the central government as to repayment of principal and payment of interest and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act. These will have maturity of 10 years and will carry interest at six per cent per annum. The issue price will be Rs 99 for every Rs 100 of the bonds applied for. Applications for subscription to bonds will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.

The Industrial Finance Corporation bonds are eligible securities for the purpose of advances to scheduled banks by the Reserve Bank of India under Section 17 (4) (a) of the Reserve Bank of India Act and are also included in the list of approved securities of the State Bank of India. These should, therefore, prove to be an attractive investment to institutional investors as also the general public. Since the repayment of principal and payment of interest on the bonds will be fully guaranteed by the central government, these are also eligible securities for investment by exempted as well as non-exempted provident funds and trusts, etc. The Corporation has already issued 18 series of bonds since 1952 for an aggregate amount of Rs 126.41 crores, out of which the amount outstanding is Rs 98.17 crores.

The Corporation established under the IFC Act 1948, has, during the last 27 years, sanctioned assistance to industry all over the country in various forms, e.g., loans in rupees and in foreign currencies, guarantees for deferred payments in respect of imported and indigenous machinery and for foreign currency loans, and underwriting of and subscription to issues of share capital and debentures. The total assistance sanctioned upto December 31, 1974, was of the order of Rs 488.86 crores to 690 industrial projects covering a large variety of industries. The total assistance disbursed amounted to Rs 422.58 crores.

Taka Devalued

The Bangladesh government has devalued its currency by 58 per cent fixing its value at taka 30 per pound sterling with a view to boosting exports and curbing inflation and price rise at home. The new exchange rate comes into effect from May 17. With it, the government has withdrawn import licence fee and exchange tax. An announcement stated that the measure, another step towards development of country's economy, was being taken as the internal inflation and international recession had hampered export of jute and other surplus goods, whose production had become pendent on government sul dies. The government, in turn had been taking huge c dits from the Central Bank g ing rise to inflation, price-r and an adverse effect on overall economy. In a mo on April 7 last, the governme had demonetised the 100 ta notes, the highest denmoi tion currency.

Turkish Lira Devalued

Turkey has devalued the li between 1.1 and 4.4 p cent against three Europe currencies to bring the Turki unit in line with recent fluctu tions on the internation money markets, according an official gazette notificati issued recently. The Turkis currency has been losing grour against major european cu rencies since last Novembe prompting frequent readjus ments of its official rates.

Swiss Bank Rate

The Swiss national bank re cently lowered its discount rat from 5 to 4.5 per cent. The cu took effect from May 19.

Trade Team from Australia

A three-member Australian trade delegation, led by M J.R. Gardner, Assistant Sec retary, Department of Overseas Trade, arrived here recently for discussions to finalise the text of an Indo-Australian agreement. The Indian delegation to the talks was led by Mr A.N. Verma, Joint Secretary, ministry of Commerce. The delegation visit follows the talks held by the Commerce minister with his Australian counterpart in January last.

Foreign Companies to Accept Deposits

The Reserve Bank has given permission to 28 companies having more than 40 per cent non-resident interest to accept deposits from public, from January this year onwards, Finance minister C. Subramaniam told the Rajya Sabha recently. The companies are: Bayer (India) Ltd., Bombay; Chemicals and Fibres of India,

bay; Kirloskar Cummins, na; Richardson Hindustan, Bombay; Gabriel India, Bombay; Mahindra Sintered Products Ltd., Bombay; ot Laboratories, Bombay; Cello-O India Ltd., Bom-; Ring Travellers Co., nbay; Ceat Tyres Bombay; lfrey Phillips, Bombay; rck Sharp and Dohme, nbay; K.S.B. Pumps Ltd., nbay, Ion Exchange (India)., Bombay; Chloride India., Calcutta; Reckitt & man of India Ltd., Calta; Organon(India) Ltd., cutta; British Paints (India)., Calcutta; Tea Estate ia (P)., Calcutta; Hindustan kington Glass Works, Calta; Brooke Bond, Calcutta; sket and Radiators, Baroda; edle Industries India Ltd., adras; Alkali Chemical Corration, Calcutta; Metal Box, lcutta; Binny Ltd., Madras; d Dr Beck and Company lia Ltd., Bombay.

udit of Foreign Banks

The Reserve Bank has asked reign banks to entrust the dit of their branches in this untry to Indian auditors. l 1973, the audit work of dian branches of foreign nks was handled by foreign dit firms, resulting in an necessary outgo of foreign change In Indianising the reign banks' audit, the official inking seems to be not only increase the job opportuties for Indian auditing firms, t also tighten the hold on reign banks.

oodgrains Import

The union government spent s 652 crores in 1974-75 on e import of foodgrains. Acording to latest figures, in l 4.94 million tonnes of heat and 0.5 million tonnes of ilo were imported during the ear. The imports were mainly urchases made on commercial rms from the US, Canada, rgentina, Australia, Sweden nd European Economic Comunity countries. The imports so included part of the two illion tonne-wheat loan from he Soviet Union received uring the year. The supply of he loan-wheat which began in 1973 was completed during this period, the loan would commence in June next year and the entire quantity would be replaced in five annual instalments.

The figures also show that offers of food-aid amounting to 0.52 million tonnes were received during the year. They consisted of 296,000 tonnes from the EEC, 140,000 tonnes from Canada, 50,000 tonnes from Sweden and 40,000 tonnes from Australia. Recently, an offer was also received from the government of Thailand for the supply of 100,000 tonnes of rice on a government-to-government basis. An agreement was also signed between India and the US in March this year for the import of 800,000 tonnes of wheat and wheat flour under Title 1 of the US Agricultural Trade Development and Assistance Act. The export value of this commodity would be \$128 million, freight on board, five per cent of this amount would be paid up by India initially in cash and the balance on credit repayable in dollar over a period of 40 years. The rate of interest on the loan will be two per cent per annum during the first 10 years and three per cent per annum during the remaining 30 years. In 1973-74, the government spent cost and freight value Rs 358 crores on import of food grains. The imports totalled three million tonnes of wheat and 1.28 million tonnes of milo.

Productivity and Wages

Addressing the National Seminar on Prices and Incomes Policy organised by the National Productivity Council recently, Mr TA Pai, minister for Industry and Civil Supplies stated that an increase in the levels of wages and salaries of the employees in the production sector would be welcomed, provided the quantum was linked to the increase in the productivity. What was required in the country today was an increase in the real incomes and this was possible only if a relatively stable price level could be achieved, particularly in respect of those goods and services which enter the consumption of the masses, he said. It was his view that the relative stability of prices was also dependent, to some extent, on the cost incurred on the factors of production. The stability of prices, he felt, must be accompanied by increased productivity or reduction in costs incurred on account of the various factors of production.

He added that there was growing realisation all over the world that planned growth of real incomes should be a major objective of national economic policies. For a developing country such as India, the necessity of promoting this objective was a matter of immediate relevance. In this context, it was necessary to ensure that economic growth and economic stability, in which price stability was a major factor, went hand in hand, he said. He felt that in the absence of increased productivity, money incomes may rise but real incomes would get eroded.

No Export Duty on Long-Staple Cotton

The government has announced abolition of the export duty on long-staple cotton with immediate effect. A Finance ministry announcement stated that raw cotton with a length of 24.5 milimetres and above will be exempted from export duty to improve the competitiveness of Indian long-staple cotton in the international market. Export of long-staple cotton was allowed recently in view of the surplus stock available in the country.

Problem of Unemployment

As part of the work programme of the UNDP and ILO regional project for Strengthening Labour Administration in Asian countries, a technical workshop on the "Functions and Organisation of Labour Ministries' Services dealing with Employment Questions" was held in Vigyan Bhavan, New Delhi, from May 5 to 16, 1975. The main objective of the workshop was to afford an opportunity for officials from countries participating in the regional project, and also for some representatives of employers' and workers' organisations from selected Asian countries to exchange views and share their experiences regarding the contribution which Labour administrations in Asian countries could make towards the efforts of their respective governments in dealing with problems of unemployment and under-employment. At the same time, the workshop would suggest ways and means of strengthening the role of ministries of Labour in the planning and implementation of employment policy and functions.

Soviet Assistance for Coal Projects

Letters have been exchanged recently between the government of India and the government of USSR for Soviet assistance for the coal projects at Singrauli and Raniganj. Under the exchange of letters, the Soviet Union will provide five million Roubles for preparation of detailed project reports and other technical assistance for these coal projects. The letters were signed by Mr K.N. Row, Joint Secretary, Department of Economic Affairs, ministry of Finance, on behalf of the government of India, and Mr V.I. Kuznetsov, Economic Counsellor, USSR Embassy in New Delhi, on behalf of the government of USSR. This is in pursuance of the Protocol signed between India and USSR in December, 1973. Apart from the detailed project reports, Soviet assistance will include survey, design and experimental work for coal development projects at Singrauli and Raniganj.

Monitoring of Capacity Utilisation

A computerised monitoring system for keeping a watch on the performance of 33 selected industries was introduced recently by the Directorate General of Technical Develop-

ment. More industries will be gradually brought under this new system. A scientific code system has been laid down which covers the manufacturing units, the major product description for each industry, the accounting unit, the collaborating foreign country, the likely sources of collaboration and the directorate concerned in the DGTD for this purpose.

While setting up this system, the need for standardisation on as wide a base as possible has been kept in view. An example of this are the codes for the states and districts which have been incorporated in each factory code. This will help in retrieving information state-wise and district-wise, apart from monitoring information for industries in the backward areas. Before adoption, the codification scheme was discussed with industries and associations of industry and their broad agreement obtained.

Canadian Food Aid

India will be among the major recepients of food aid from the Canadian Aid Agency this year. Of the total of $280 million aid, India will get $56 million, Bangladesh $29 million and the World Food Programme $94.5 million.

IDA Assistance

A credit of $34 million from the International Development Association (IDA), an affiliate of the World Bank, will help to finance an agricultural development project designed to increase foodgrain production, farm income and rural employment in West Bengal.

The project will support a four-year programme of investments to improve minor irrigation, agro-service centres for the distribution of inputs, regulated markets, and agricultural extension services. The Agricultural Refinance Corporation (ARC) and the government of West Bengal will be the channel for IDA funds.

West Bengal has about eight per cent of India's population on less than three per cent of its land. Agriculture accounts for almost 50 per cent of the state's income and 60 per cent of the jobs. Like other states in India, West Bengal has given priority to the development of agriculture.

The major benefits resulting from the project will be additional production of 310,000 tonns of foodgrain a year worth $50 million, and the generation of about 100,000 man-years of labour per year, in an area where unemployment is a serious problem. About 200,000 farmers will benefit directly from the project. About 75 per cent of these will be small farmers.

The project is scheduled to be completed in 1979 at a total estimated cost of $67 million. The IDA credit will be about 51 per cent of the cost of the project. The IDA credit to the government of India is for 50 years including 10 years of grace. It is interest free except for a service charge of $\frac{3}{4}$ of one per cent to cover IDA's administrative expenses.

Indo-French Venture in Kuwait

India has entered into an agreement with a French firm for the erection of four boilers of 150 MW each at Doha power station at Kuwait. Under this contract, an Indian firm will complete the erection job for the power station. Nearly 200 Indian engineers and technicians will be employed in this project. The joint venture project, valued at about Rs 28 crores, will be launched in July, 1975 and is expected to be over in 30 months time. The Indian firm is also negotiating for getting another contract on similar lines for installation of electrical and instrumentation work for the same power station.

Indo-Malaysian Sugar Project

India has entered into another joint venture with Malaysia for setting up an integrated sugar project. The project costing Rs 19.4 crores will comprise a sugar refining and processing unit with a crushing capacity of 25,000 tonnes per day and annual production of 60,000 tonnes of refined sugar. This is India's largest single joint venture project in Malaysia. The project has already been formally commissioned by the prime minister of Malaysia. India's technical competence and expertise in the field of sugar machinery has been well recognised abroad in recent years. During 1973-74, sugar mill machinery exports amounted to over Rs 1.9 crores as compared to Rs 1.2 crores in 1972-73.

SPOGA Fair

An international fair, for sports goods, camping equipment and garden furniture (SPOGA) will be held in Duesseldorf from September 28 to 30 next. Nearly 50 per cent of the Indian export of sports articles go to West European countries. An international exhibition of hotel and catering trade (IGAFA) will be held in Munich from November 21, to 26 next. At the last IGAFA held in November 1973, the number of exhibitors was 668 from 21 countries. It had attracted 47,000 visitors from 17 countries.

Confectionary Exports

There is considerable scope for confectionary exports to west Asian countries and this potential can be exploited if various materials, such as packing and wrapping, are supplied to the industry at concessional prices. The industry feels with these incentives it should be possible to export confectionary worth Rs 70 to 80 lakh annually to west Asian countries. Stating this at the annual general meeting of the Indian Confectionary Manufacturers' Association held recently, Mr S. P. Chauhan, president, indicated that the government should withdraw the excise duty of 10 per cent ad valorem imposed on confectionary in last year's budget. As a result of this substantial increase in excise, the industry is faced with highly uneconomical working and large idle capacity. Against total sales of about 12,883 tonnes of econfectionery in t[he] six-month period (Septemb[er] 1973 to February 1974) pri[or] to the imposition of increas[ed] excise duty, the sales ca[me] down by 40 per cent to 7,8[..] tonnes in the next six month[s] March to August 1974, aft[er] the budget. He also made [a] strong plea for the supply [of] sugar at fair and reasonab[le] prices to confectionary fact[o]ries, in order to maintain t[he] demand even at reduced level[s].

Award for Industrial Cost Reduction

The National Associatio[n] of Materials Managemen[t] (NAMM) has instituted a[n] annual award for "impressiv[e] cost-reduction performance i[n] any area of materials management in industries". The awar[d] will consist of a cash priz[e] and a certificate. Economi[es] achieved through technique[s] such as inventory contro[l,] substitution, value analys[is] and standardisation would b[e] considered by the panel o[f] judges, comprising eminen[t] materials experts, in makin[g] the awards. Industrial unit[s] in both the public and privat[e] sectors would be eligible fo[r] the award.

Names in the News

The managing committee fo[r] Punjab, Haryana and Delh[i] Chamber of Commerce an[d] Industry 1974-75 is as under: **Mr M.K. Mohta**—Chairman; **Mr Bishamber Das Kapur**—Dy. Chairman: The member[s] are: **Sardar Amarjit Singh; M[r] J.P. Anand; Mr V.P. Arya; Mr Bansi Dhar; Mr Man Phoo[l] Chopra; Mr A.S. Chatha; M[r] Shiv Raj Gupta; Mr C.K. Hazari; Mr G.D. Kedia; M[r] P.C. Khanna; Mr K.G. Khosla; Mr M.M. Lal; Mr B.P. Mandelia; Mr Manmohan Singh; Bhai Mohan Singh; M[r] M.L. Manchanda; Mr A.D. Moddie; Mr K.N. Modi M[r] J.J. O'Gorman; Mr Prem Pandhi; Kanwar Prem Lal; Mr V.P. Punj; Mr D.D. Puri; Mr Mohinder Puri; M[r] Raunaq Singh Mr K.K.R. Rao, M.M. Sabbarwal; Mr N.K. Sahgal; Mr Santosh Nath Mr; Mr K.P. Singh, Mr W.N. Talwar; Mr L.M. Thapar** and **Mr Satya Pal Virmani.**


May be the sun is good for your skin,
but is it good for your suit?
Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour!
A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.
JIYAJEE
TERENE SUITING
SHIRTING & DRESS MATERIALS

COMPANY AFFAIRS

Shares Subdued

EQUITIES RALLIED on the stock exchange in the early part of the week but it proved short-lived. The market sentiment was considerably affected following the prime minister's statement ruling out relaxation of dividend curbs. Sentiment was also affected by the renewed rise in wholesale prices in recent weeks and lower industrial production due to deepening power crisis. Reports of a marked fall in industrial investment in 1974-75 as reflected by the decline in direct investment sanctioned by IDBI also confirmed the feeling of despondency prevailing among entrepreneurs and investors. Fears of a serious set-back in profitability of the corporate sector in the current year as forecast by the chairman of a few leading companies also acted as a drag on the flow of fresh investible funds into the share markets.

Select new issues, however, have fared well. The public issue, for instance, of Otis Elevator Company (India) Ltd at 100 per cent premium has been over subscribed. The response to the public issue of JK Industries was also quite encouraging and the subscription list was closed on May 20, on being oversubscribed. But with the continuance of tight money conditions and yield on equities remaining much lower than that offered by company deposits, shares are unlikely to find favour with investors.

Aruna Sugars

Aruna Sugars Limited has reported encouraging working results during 1973-74. The cane crushed during the year has gone up to 4.04 lakh tonnes, from 3.23 lakh tonnes in 1972-73, while the sugar produced was substantially higher at 319,463 bags as compared to 260,530 bags in the earlier year. The average recovery was, however, a shade lower at 7.91 per cent as against 8.04 per cent in the preceding year. The turnover during the year at Rs 830.52 lakhs pierced its previous performance by as much as Rs 159.73 lakhs.

The profit, before depreciation and development rebate, advanced to Rs 59.75 lakhs from Rs 47.22 lakhs in the preceding year. The net profit after allowing from depreciation amounted to Rs 29.70 lakhs as compared to Rs 24.30 lakhs in 1972-73. After making other adjustments the total surplus available for appropriations in 1973-74 came to Rs 29.89 lakhs. Out of this, a sum of Rs 10.00 lakhs has transferred to development rebate reserve, Rs 0.52 lakhs to reserve for malasses storage fund and Rs19.27 lakhs to general reserve. The balance of Rs 0.10 lakh has been carried forward to the next year's accounts.

The directors have recommended a dividend of 9.5 per cent on preference shares and per cent on equity shares. Out of the proposed equity dividend, 9 per cent will be paid this year while the balance of 5 per cent will be paid in two equal annual instalment with an interest of 8 per cent per annum payable on July 6, 1976 and July 6, 1977.

MICO

The board of directors of Motor Industries Co. Ltd, have recommended a final dividend of six per cent on fully paid shares, subject to statutory deductions. The company's Annual General Meeting will be held on June 27, 1975. The turnover recorded a steep increase to Rs 428.47 million in 1974 from Rs 294.68 million in 1973, while the profit after depreciation, development rebate and tax provision for 1974 was appreciably higher at Rs 19,481,434, as against Rs 17,451,440 for 1973. Taxation absorbed Rs 43 million in 1974 as against Rs 32.5 million in 1973.

Ceat Tyres

In view of the increasing production and demand for scooters, Ceat Tyres of India Limited has taken on hand an immediate expansion of scooter-tyre production by 75 per cent. The cost of this expansion is estimated at Rs 12 lakhs. Since the machinery is being obtained indigenously the expanded production is expected to commence in the third quarter of the current year.

In spite of the company's best efforts it has not yet received the industrial licence for effecting an expansion of 1.6 lakh automotive tyres and tubes each per annum at Bhandup. The production at the bicycle tyre plant is expected to reach the licensed capacity of 20 lakh tyres per annum by the end of 1975.

In spite of severe competition the company's products not only retained their markets overseas but also made entries in new markets such as Hongkong, Switzerland, Italy and Yemen. The company's exports at Rs 229.06 lakhs recorded a marginal increase over the last year's performance of Rs 225.27 lakhs. The pressure of domestic demand made it necessary to restrict the exports to some extent, though the company has fully met its exports to the government of India. Due recent recession in develop countries' demands for tyr there has diminished con derably. Consequently t tyre manufacturers in tho countries have now started e porting and are finding rea markets in countries whe our country has been expor ing. On account of the lowe prices at which they obtaine their raw materials particu larly natural rubber, rayon an nylon cord fabric, the manu facturers in the develope countries are able to ou price Indian products to th extent of 25 to 30 per cent The prevailing cif price o indigenous natural rubber i 100 per cent more than th world market price.

If our country is not to loose its hard earned export effort in automotive tyres developed over the last few years, the government of India would have to revise its present export policy and permit the Indian manufacturers to import raw materials at international prices as an export incentive. If a quick decision is taken by the government, it should still be possible for Indian tyre producers to maintain their position in the export markets and even to improve upon it.

Simon-Carves

Simon-Carves India Limited is turning its attention to more and more export oriented products. Its maiden effort in this direction was in the export of skills to its associate company, Sim-Chem in the UK to whom it had sent some 30 draughtsmen and engineers for a period of six months to help them out on their North Sea Oil and other urgent products. The work was executed quite satisfactorily and it resulted in a second export order for a second team for a similar period of time. The feasibility of securing major engineering turn-key and construction projects abroad has, therefore, been pursued actively in the past few months and the company's efforts in this direction are expected to

rich dividends in the ing year.

hough the order intake 974 was low, the orders red in 1973 and 1974 n together ensures the pany has sufficient ers in hand to maintain uninterrupted profitability wth in the coming r. The financial results the year 1974 indicate t despite many vicissitudes company has been able maintain its unbroken re- d in the growth of profits e as evidenced in the higher ofits earned by the company, er providing in deprecia- n at Rs 53.17 lakhs as mpared to Rs 49.40 lakhs 1973. After appropriating 4.50 lakhs for develop- ent reserves and Rs 24.09 khs as tax provision, the net rplus, after writing back ovisions no longer required, nounted to Rs 25.21 lakhs.

This has enabled the com- any to declare the maxi- um dividend allowed to be ceived by shareholders this ar in view of the government's estrictions on dividends. he company proposes to issue onus shares shortly and an pplication has already been nade to the Controller of Capital Issues and Reserve Bank of India. Their approval s eagerly awaited.

Binny

A major achievement of Binny Limited during 1974 has been the successful deve- opment of an electronic area measuring machine. The machine was exhibited at the international leather fair and was well received by the trade. The company hopes to market it in 1975. The Research and Development group is also carrying out investigation on the reclamation and re-utili- sation of sewage water for the Madras Mills. By the end of 1975, it is hoped to have an well-equipped centralised re- search and development laboratory set up outside the Mills.

The company's garment factory was able to fulfil its export obligations during the year. During the year there was a sharp drop in demand and in prices in the export garment market and due to these factors ope- ration of the factory has be- come uneconomic. Discus- sions are in progress with the employees union with a view to reaching a wages and pro- ductivity agreement which will enable the factory to fulfill its important export market func- tions without incurring losses. The trading and agency divi- sion fared well during the year. It is hoped that, once the steps taken to reduce the foreign shareholding below 40 per cent have received the necessary approvals, it will be possible to expand the trading activities.

The engineering division also did well during the year. A new wages agreement for the years 1974 and 1975 was amicably reach- ed with the staff and the workers unions in 1974. The textiles division started the year 1974 well. Despite a high rate of inflation and six- week strike in February-March in the Buckingham and Carnatic mills, encouraging results were recorded in the first half year but a recession in the last quarter affected the company's working very seriously. After providing for depreciation the company in- curred during 1974 a net operat- ing loss of Rs 1.22 crores. The year 1975 will also be a very difficult year. Consumer resistance remains conspi- cuous feature of the textile markets and cloth prices have not improved. On the other hand the cost of the short staple Indian cotton, which is the company's principle raw material, looks likely to exceed the average price paid in 1974. The drought in Madras seriously threatens production and increase in costs.

Grindlays Bank Group

The year 1974 was a consi- derable success for the Grind- lays Bank Group. Its over- seas results show an improve- ment of very nearly £4 million over the 1973 figure, but the results of its London operation were adversely affected by high interest rates. Neverthe- less there were some bright spots in its London business. Gillespies improved their profits in sound confirming business and the Bank's Euro- currency lending to interna- tional customers grew both in size and profit. Its lending overseas has also increased. The Group's Balance Sheet shows that during the year total assets increased by £174 million, of which advances rose by £155 millions and bills of exchange by £51 million. Current deposit and other ac- counts rose by £184 million. Taking the Group as a whole operating profit was just over £ 2¼ million. It would have been higher had it not been necessary to make a larger than usual charge against pro- fits for bad and doubtful debts, and had it not been necessary to make within the Group a provision for diminution in the value of portfolio investment. Next comes the additional transfer that the Bank have thought it prudent to make to the general provision against advances. Of this large figure —£8.9 million before tax— £4.8 million is to increase the general provision against advances in Grindlays Bank accounts, and £4.1 million is to increase the general provi- sion against advances within Brandts. It must be empha- sised that these two amounts have been transferred to gene- ral provision, in the same way as other UK banks have done, to add to the strength of that provision and are over and above the provisions created against all known bad or doubtful debts. It means that in addition to its capital and published reserves the Bank has a sizeable and much in- creased cushion within its Accounts.

The prevailing conditions around the world have influenced its judgement, and it is in the light both of the increased total advances, and of world conditions that the Bank has made the large addi- tional transfers. The other notable achievements of the Group during the year was the commendable growth in business in India, Hong Kong, Zambia, Uganda, and particularly in the Gulf and Jordan, opening of new bran- ches and offices in Tokyo, Dubai, Teheran, Athens and Monaco, in corporation of a new subsidiary in the Philip- pines and some sound and carefully planned expansions for the Ivory Coast, the Gulf, Egypt, and the USA.

Laxmi Vishnu

The Laxmi Vishnu Textile Mills has declared an equity dividend of 12 per cent for 1974 as against 12.5 per cent paid for 1973. Despite hand- some rise in sales from Rs 16.45 crores to Rs 19.07 crores the gross profit has dropped to Rs 84.04 lakhs from Rs 115.86 lakhs in 1973. The set back is contributed to higher cost of production, credit squeeze, restriction of power supply and consumer resistance during the latter quarter of the year. Exports during the year were also lower at Rs 3.13 crores as compared to Rs 3.56 crores in 1973. The company's products have been exported mainly to the USSR, the UK and the USA. Des- pite the set-back in working the company continued to go ahead with its modernisation and renovation programme. During 1974 the company spent as much as Rs 1.06 crores on modernisation and renovation programmes bring- ing the total over Rs 4 crores in the past four years.

ION Exchange

Although the turnover of ION Exchange as gone up to Rs 4.81 crores in 1974 from Rs 3.73 crores in 1973 the working of the company dur- ing the year has resulted in a lower gross profit of Rs 57.52 lakhs as compared to Rs 66.69 lakhs in the preceding year. The directors have recom- mended an equity dividend of 12 per cent for the year but the dividend for 1974 is payable on a larger capital resulting from the one-for-three bonus issue. The production of ION Exchange resins continued to be satisfactory.

The company has received

a letter of intent for increasing its capacity. No effective steps have so far been taken since the conditions for expansnion are under discussion with the government which are expected to be resolved soon. Towards the end of the first quarter of 1975 the company has received substantial orders for water treatment plants and ION Exchange resins. The company's dimineralising plant including resins for the Sultan Ismail Power Station, Malaysia, is ready for shipment along with the boiler equipment being supplied by Bharat Heavy Electricals, Trichy. The company has also exported resins to other countries.

News and Notes

The public issue of 2,25,000 equity shares of 10 each at a premium of Rs 10 per share by **Otis Elevator Company (India) Ltd** was closed on May 14, on being over-subscribed.

Mr V. M. Bhide of the Bank of Maharashtra has been elected Chairman of the Indian Banks' Association for 1975-76. At its meeting held in Bombay on May 10, the Association also elected three vice-chairmen—**Mr V. R. Desai** of the United Commercial Bank, **Mr P. F. Gutta** of the Central Bank of India and **Mr C. E. Kamath** of the Canara Bank.

The Electronic Switching Factory set up by the **Indian Telephone Industries** at Pudusseri near Palghat will go into production in October this year. The factory will manufacture indigenously developed electric private automatic branch exchanges (PABX) and Private Automatic Exchanges (PAX) equipment. The company has already started receiving enquiries from foreign countries for supply of these exchanges.

Hindustan Steelworks Construction Limited has, recorded the highest turnover of Rs 52 crores during the year ended March, 1975. This is by far the best performance not only by HSCL so far but also any other construction organisation both in public as well as private sector.

There is an increase of over Rs 5 crores over the company's turnover of Rs 47.52 crores during 1973-74. The above turnover has been achieved in-spite of the handicaps of non-availability of certain essential materials as well as occasional disturbed labour conditions at some of its major units.

In a period of just 10 years since its inception, the company has thus achieved a 13-fold increase. The company started its business with a meagre turnover of Rs 4 crores during 1965-66.

At the end of the year, HSCL has, in hand, contracts worth over Rs 400 crores. The company which was formed to execute the construction works of steel plants has, over the years, diversified its activities and is now also engaged in the construction of major industrial projects, dams, power plants, bridges and building complexes.

New Issues

Southern Borax is a joint sector venture of Tamil Nadu Industrial Development Corporation and the private promoters Mr P. S. Bhashyam and Mr K. R. Radha Krishnan. The company is setting up a Rs 94 lakh project for the manufacture of 15,000 tonnes of borax and 3 C0O tonnes of boric acid per annum near Madras. To raise a part of the resources required for the implementation of this project the company is entering in the capital market on May 28 by offering 196,000 equity shares of Rs 10 each at par to the public for subscription. The subscription list for this fully underwritten issue will close on June 7 or earlier but not before May 31.

The project cost of Rs 94 lakhs will be financed by the equity capital of Rs 40 lakhs and term loans

Rs 54 lakhs. The plant is expected to go in commercial production in the course of this month. In the first phase the company will manufacture borax and take up boric acid production in the next phase. It will also produce other borax compounds and certain other chemicals in the third and fourth stages respectively. The company does not anticipate any problem in marketing its products in view of the growing demand for borax and acute shortage of the chemicals in the country. The total demand for borax is estimated around 51,000 tonnes whereas the installed capacity of the only manufacturer, Borax Morarji is only 15,000 tonnes a year.

During the year ending June 1976, the company hopes to manufacture 9,000 tonnes of borax with a turnover of Rs 2.16 crores and earn a gross profit of Rs 28.06 lakhs. The company hopes to earn good profits and ensure a fair return on the capital employed from the second year of production.

Neomer Limited, a subsidiary of Alembic Glass Industries will be entering the capital market in the course of the current year. The company is setting up a plant for the manufacture of 6,000 tonnes per annum of polypropylene fibre. The financial institutions have sanctioned loans to the tune of Rs 4.70 crores. An import licence for capital goods worth Rs 1.16 crores has also been received. Orders for indigenous machinery and equipment have been placed and the company hopes go into production in 1976. After the public issue it will cease to be a subsidiary of Alembic Glass.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Lucky Valley Estates	Dec. 31, 1974	5.0	Nil
Same Dividend			
Phoenix Mills	March 31, 1974	12.0	12.0
Sylvania & Laxman	Sep. 30, 1974	Nil	Nil
Karur Vyaya Bank	Dem 31, 1974	12.0	12.0
Thamarapally Rubber	Dec. 31, 1974	12.0	12.0
Reduced Dividend			
Kesar Sugar Works	Septem 30, 1974	12.0	30.0
Standard Pharmaceuticals	March 31, 1974	Nil	11.0
Wavin India	Decem 31, 1974	Nil	6.0
Madras Spinners	Decem 31, 1974	12.0	15.0
Vijayalakshmi Mills	Decem 31, 1974	12.0	20.0
Sivanandha Mills	Decem 31, 1974	12.0	25.0
Coimbatore Cotton Mills	Decem 31, 1974	10.0	20.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the month of December 1974. The list contains the names and addresses of the licensees. articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expension (SE), Carry on Business (COB) Shifting—and annual installed capacity. Details regarding letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

Shri Kartar Singh. A-16, Industrial Area, Industrial Area Mohali (Punjab). (Malwa Steel Tube Pvt Ltd)—Mohali-Punjab) Steel Pipes & Tubes—6,500 tonnes p.a.—(COB)

M/s Trichy Steel Rolling Mills Ltd; 'TVS Building', West Veli Street, Madurai.—(Tiruchirapalli-Tamil Nadu)—M.S. Ingots; Electrode quality carbon steels: Forging quality carbon steels; Cold heading quality carbon steels; etc.—16,000 tonnes p.a; Flanges, Angles & Channels—8,000 tonnes.—(COB)

M/s Impex Tube Manufacturing Co Pvt Ltd; 5-Ali Chambers, Tamarind Lane, Bombay.—(Bombay-Maharashtra)—ERW Steel Tubes—5,600 tonnes.—(COB)

M/s Steel Tubes of India Pvt Ltd; 27/34, Industrial Estate, Indore.—(Indore-Madhya Pradesh)—ERW Steel Tubes & Pipes—7,000 tonnes p.a.—(COB)

Shri Mahavir Ispat Ltd; 11-A, Jatindra Mohan Avenue, Calcutta-6.—(Tarapur, Thana, Maharashtra)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold heading quality carbon steels; etc.—(COB)

M/s Aluminium Industries Ltd; No 1, Ceramic Factory Road, Kundara, Kerala.—(Kundara-Kerala)—PC Wires, Galvanised stay Wires, M.S. Wires for Gen Engineering purpose, Galv. fine steel wires, etc.—11,500 tonnes p.a—(SE)

M/s Guest, Keen Williams Ltd; 3-A, Shakespeare Sarani, Calcutta.—(Bangalore-Karnataka)—Modified Loose Jaws—40,00,000 nos p.a—(SE)

Shri V. Jagannathan, Plot No 20, Tea Estate Compound, Race Course, Coimbatore-18.—(Coimbatore-Tamil Nadu)—Metallic Industrial Springs—(NU)

M/s Universal Precision Ball Manufacturing Company Ltd; B-33, Industrial Estate, Sanatnagar, Hyderabad.—(Hyderabad-Andhra Pradesh)—Precision Grade Steel Balls FBMA specifications 5, 10, 15 and 25 equivalent ISI Grade 2, 1 and 0 for ball bearings with diameter ranging from 3mm to 24mm—127 mill nos p.a; Precision grade stainless steel balls for ball bearing and other industries excluding bicycles, with a diameter range of 3mm to 24 mm—6 mill nos p.a;

Precision Grade balls of Non-Ferrous Metal—2 mill nos p.a—(NU)

Fuels

M/s Hindustan Petroleum Corpn Ltd; 17-Jamshedji Tata Road, Bombay.—(Mahul, Greater Bombay, Maharashtra)—Axle Oils—10,000 tonnnes—(NA)

M/s Indian Oil Corporation Ltd; R & P Division, Indian Oil Bhavan, Janpath, New Delhi.—(Mathura-Uttar Pradesh)—LPG, Motor Spirit. Naphtha. Aviation Turbine Fuel. Superior Keresone. High Speed Diesel Oil. Light Diesel Oil. Fuel Oil (Regular). Heavy Fertiliser Feed Stock. Bitumen. Sulphur. Total capacity 6 million tonnes in terms of Crude Oil per annum—(NU)

Electrical Equipment

The English Electric Company of India Ltd; P.O. Box No 2, Pallavaram, Madras.—(Madras-Tamil Nadu)—Alarm Facia Units—920 nos p.a—(COB)

M/s Semcon Electronics (P) Ltd; 85, Esplanade Mansion, 144, Mahatma Gandhi Road, Bombay.—(EPZ-Santa Cruz, Maharashtra)—Micro Semi conductors Diodes—5mill nos p.a; Plastic Micro Diodes—8 lakh nos p.a; Hybrid Electronic Circuits—5 lakh nos p.a; Computer Core Memory Diodes Arrays—5 lakh nos p.a; Special Devices—1 lakh nos —(NU)

M/s Kerala Electrical & Allied Engg Co Ltd: Mamala P.O. Cochin, Kerala.—(Kundara-Kerala)—*Brushless Alternators*—600 nos p.a—(NA)

M/s Power Cables (P) Ltd; 34-Brelvi Sayed Abdulla Road, Bombay-1.—(Nadiad-Gujarat)—*Electronic Calculators*—3000 nos p.a—(NA)

M/s Electronics Corporation of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad.—(Hyderabad-Andhra Pradesh)—Precision Servo Components including electrical and fluidic types of transducers, prime movers amplifiers and hardware—Rs 50 lakhs including synchros, servo motors, gear trains, rate gyros, 400 miniature, serve components p.a: Instrument type motors—Rs 20 lakhs includes small motors other than servo motors viz blower motors p.a; Micromotors—Rs 10 lakhs p.a; Instrument type generators—Rs 5 lakhs including screen scretacho generators; Servo system & Packages—Rs 40 lakhs includes two axis rate gyro-units valve modulation motors p.a—(NA/SE)

M/s Industrial & Agricultural Engg Co (Bombay) Pvt Ltd; 45, Forbes Street, Fort, Bombay.—(Bombay-Maharashtra)—Safety and Relief Valves for steam, gas and liquid (automatic & non-automatic), medium pressure upto 40 Kg/cm 2 and above—Rs 30 lakhs p a; Pressure Reducing Valves for Steam, Gas and Liquid (Automatic & Non-automatic), medium pressure upto 40 Kg/cm 2 and above—Rs 12 lakhs; Medium & High Pressure Valves for steam, gas and liquid, medium pressure upto 40/cm 2 and above—Rs 42 lakhs p.a—(NA)

M/s ACC—Babcock Ltd; Indra Palace, Suit 27, Connaught Circus, New Delhi.—(Durgapur-West Bengal)—Electrostatic Precipitators—30 nos p.a—(NA)

M/s Emkay Semi Conductors Corporation, Radaur Road, Yamuna Nagar, Haryana.—(Yamunanagar, Ambala, Haryana)—Electrolytic Capacitors—5 mill nos p.a—(NA)

Trausportation

M/s Sen Raleigh Ltd; 1, Middleton Street, Calcuta.—(Kalyanqur, Asansol, West Bengal)—*Complete Bicycles*—4,80,000 nos; Bicycles Chains—12,00,000 nos; Bicycles Hubbs—10,00.000 nos; Pedals—6,50,000 pairs; Free Wheels—6,00,000 nos; Spokes & Nipples—3,00,000 nos; Saddles—6,00,000 nos—(COB)

The Chairman-Cum-Managing Director, M/s Bharat Earth Movers Ltd; Unity Building, J. C. Road, Bangalore.—(Bangalore-Karnataka)—Heavy Duty Trailers (20 tonnes to 80 tonnes)—200 nos (NA)

M/s Usha Telehoist Ltd; 14-Princept Street, Calcutta—(Calcutta-West Bengal)—Truck mounted load luggers—nos p.a—(NU)

M/s Avalone Products Pvt Ltd; United Building (Floor), No 2, Mission Road, Bangalore.—(Bangalore-Karnataka)—*Wiper Motors*—2 lakh nos; Safety Flashes—1 l nos; Special Locks—5 lakh nos—(NU)

M/s Ramon Gujarat Ltd; Ramon House, 169, Back Reclamation, Bombay.—(Tantithaiya-Gujarat)—Univer Joint Kits—2,50,000 sets p.a; Propellor Shafts & Compone—60,000 sets p.a: Front and Rear Axle Shafts—20,000 s p.a—(NU)

M/s Godrej Boyce Mfg Co (P) Ltd; 'Godrej Bhavan' 4- Home Street, Fort, Bombay.—(Bombay-Maharashtra)—Au mobile Pressings for Commercial Vehicles like Trucks, Bus 3-Wheelers, Tractors and the like—5,000 tonnes p.a—(NA)

M/s Bharat Radiators Pvt Ltd; S.G. Barve Marg, Kalir Santacruz Marg, Bombay.—(Bombay-Maharashtra)—Radiat—36,000 nos p.a—(SE)

Industrial Machinery

M/s Tractel Tirfor India Pvt Ltd; 14/6, Mile Ston Faridabad, Haryana.—(Faridabad-Haryana)—Waste Dispos & Composting Plants—2 Plants of 300 tonnes/day capaci or 4 Plants of 150 tonnes/day capacity p.a—(NA)

M/s Indo-Berolina Industries (P) Ltd; Victoria Buildin Parsee Bazar Street, Fort, Bombay.—(Maharashtra)—Pu and Paper Machinery as under:- Rs 260 lakhs p.a; One int grated Pulp & Paper plant of 200 tonnes/day capacity: tw units of Pulp plant of 200 tonnes per day capacity. Two uni of Paper Machinery of 200 tonnes per day capacity—(NA)

M/s Associated Bearing Co Ltd; Mahatma Gandhi Memo rial Bldg; Netaji Subhash Road, Bombay.—(Chinchwad, Poon Maharashtra)—*New Articles*. Bolster Inserts—1,20,000 no p.a; *Substantial Expansion*. Top Rollers—12,00,000 nos p.a Pendulum Weighting Arms & Cradles—4,00,000 sets p.a—(NA/SE)

Shri G.K. Devarajulu, Shell House, Avanashi Road Coimbatore.—(Coimbatore-Tamil Nadu)—Record Ring Travel lers (Silver coated shaped) range 1/0-30/0 and 1-10-32 mill hoists p.a—(NU)

Machine Tools

M/s Mysore Kirloskar Ltd; Harihar, Karnataka—(Harihar Karnataka)—High Speed Threading Machines—24 nos p.a—(SE)

M/s Mysore Kirloskar Ltd; Harihar—(Harihar-Karnataka—Plain Horizontal Milling Machines with Table size 412 mm X2228 mm and above —12 nos p.a; Precision Horizontal Boring Machines 70 mm spindle die—144 nos p.a; Circular Sawing Machine 245 mm dia Cap—24 nos p.a; Deep hole boring machines max bore dia 80 mm Max Bore length 1,500 mm—8 nos p.a; Double ended facing and centring machine max facing dia 120 mm max length of gob 2,000 mm—8 nos p.a—(NA)

Miscellaneous Industries

M/s Ramon Sampatensili Ltd; 79, Bombay Samachar Street Bombay-1.—(Thana-Maharashtra)—Hobs 2,500 nos p.a; Shaping Cutters—2,500 nos; Saving Cutters—500 nos; Cutter & Blades for Cutting Bevel and Hypoid Gears—500 nos—(NU)

M/sBharat Steel Tubes Ltd; Allahabad Bank Building,

Parliament Street, New Delhi—(Chikathan, Aurangabad, harashtra)—Forged Hand Tools—5,000 tonnes p.a—(NU)

Commercial & Household Equipment

M/s American Refrigeration Co Ltd; 13/C, Russel Street. cutta-16—(Kidderpore, Calcutta, West Bengal)—*Water olers*—5,000 nos p.a—(SE)

Chemicals (Other than Fertilizers)

M/s Sambhar Salts Ltd; Badnor House, Bhagwan Das ad, Jaipur.—(Sambhar Lake, Jaipur Rajasthan)—Anhydrous dium Sulphate—12,000 tonnes p.a—(NA)

M/s Asiatic Oxygen Ltd; Dalhousie Square, Calcutta.—hibpur, West Bengal) Oxygen—1 million cubic meters p.a—OB)

Dr Gurdev Singh, E/110, Vasant Vihar, New Delhi—(Tara-r, Thana, Maharashtra)—Oxygen Gas—3,60,000 mill cubic eters p.a—(NU)

M/s Bharat Pulverising Mills Pvt Ltd; Division: Basic inerals & Chemicals, Hexamar House, 28-Sayani Road, ombay.—(Thana-Maharashtra)—Malathion (Technical)—900 nnes p.a—(NA)

M/s Uttam Air Products Pvt Ltd; 573, Katra Ishwar Bhavan elhi.—(Delhi)—Acetylene Gas—2,00,000 Cubic Metres p.a—NA)

M/s Mico Farm Chemicals Ltd; 9, Linghi Chetty Street, ladras.—Benzene Hexa Chloride—6,000 tonnes p.a—(SE)

M/s Jain Sudh Vanaspati Ltd; D-18, Cannaught Place, ew Delhi.—(Ghaziabad-UP)—Oxygen—0.407 million cubic etres p.a—(NA)

M/s Excel Industries Ltd; 184-87, Swami Vivekanand Marg, Jogeshwari, Bombay.—(Bombay-Maharashtra)—Alumi-ium Chlorlde—2,000 tonnes p.a—(SE)

M/s Salgaocar Industrial Gases (Pvt) Ltd; P. O. Box No 14, Vasco Da Gama, Goa.—(Goa)—Oxygen Gas—1,50,000 C.M. D/Acetylene Gas—90,000 C.M.—(SE)

M/s Uttam Air Products Pvt Ltd; 573, Katra Ishwar Bhavan, Delhi.—(Delhi)—Nitrogen Gas (By Product)—3,80,000 C.M.—(NA)

Shri S.M. Maricar, Prabhat Flat No 11, 2nd Floor, B. Road, Churchgate, Bombay.—(Tarapur, Thana, Maharashtra) —Oxygen Gas—1 Mill C.M. Nitrogen Gas—1 Mill C.M. Acetylene Gas—0.20 Mill C.M.—(NU)

Drugs & Pharmaceuticals

M/s Indo Pharmaceutical Works (P) Ltd; 83-Kohinoor Road, Dadar, Bombay-14.—(Kalina, Santacruz (East), Maharashtra)—Becocee Tablets. Codomolindon Tablets. To be manufactured within the overall licensed/approved capacity for tablets.—(COB)

M/s Alkali & Chemical Corpn. of India Ltd; P.B. No 3031,40, Lodi Estate, New Delhi.—(Tamil Nadu)—Primidone —4,500 Kgs; Propranolol—1,000 Kgs; Clofibrate—10,000 Kgs; Halothane—10,000 Litres; Tetramisole—10,000 Kgs; Cetrimide —50,000 Kgs; Chlorhexidine—3,500 Kgs; Hexachloroethane—35,000 Kgs; Tetmosol—1,500 Kgs.—(NU)

M/s Dey-Se-Chem Ltd; 8-Rifle Range Road, Calcutta-19.—(Calcutta-West Bengal)—i. Nitro-Furantain & its derivatives —24 tonnes p.a; ii. Diphenyl Hydantoin & its derivatives—10 tonnes p.a.—(NA)

M/s Bhartiya Agro-Industries Foundation, Uruli Kanchan, Distt: Poona; Maharashtra.—(Uruli Kanchan, Poona, Maharashtra)—Toot & Mouth Disease Vaccines—3.2 Mill quadrivatent Doses p.a—(NU)

M/s The Chemical Industrial & Pharmaceutical Laboratories Limited, 289, Bellasis Road, Byculla, Bombay.—(Bombay-Maharashtra)—Nitrazepam & Tablets thereof—250 Kgs p.a—(NA)

Cotton Textile

Shri S. H. Thacker, Chief Promoter, Maharashtra State Handlooms Corpn. Ltd; 'Ahmed Manzil', Jusab Gani & Co. Bldg; Central Avenue Road, Nagpur.—(Nagpur-Maharashtra) —**Cotton Yarn**—25,000 spindles—(NU)

M/s Rajasthan State Industrial & Mineral Development Corporation Ltd; Nehru Marg, Jaipur.—(Rajasthan)—Cotton Yarn—25,0000 spindles,—(NU)

M/s the Kerala State Handloom Weavers Cooperative Society Ltd; No H-232, Trivandrum.—(Quilon-Kerala)—Cotton Yarn—25,000 spindles.—(NU)

M/s The Cannanore Co-operative Spinning Mills Ltd; P.B. No 5, Cannanore.—(Cannanore-Kerala)—Cotton Yarn—25,000 addl. spindles, i.e. total capacity after expansion 50,000 spindles—(SE)

M/s Gopal Sahakari Spinning Mills Ltd; Banswara—(Banswara-Rajasthan)—Cotton Yarn—25,000 spindles.—(NU)

M/s West Bengal Handloom & Powerloom Development Corpn. Ltd; 45, Ganesh Chandra Avenue (Ground Floor), Calcutta.—(Dalkhola, Dinajpur, West Bengal)—Cotton Yarn—25,000 spindles.—(NU)

M/s Kerala State Industrial Development Corporation Ltd; P.B. No 105, Vellayambalam, Trivandrum.—(Alleppey-Kerala) —Cotton Yarn—25,000 spindles.—(NU)

M/s Kerala State Industrial Development Corpn. Ltd; P. B. No 105, Villayambalamy Trivandrum.—(Malappuram-Kerala)—Cotton Yarn—25,000 spindles.—(NU)

M/s Ganganagar Sahakari Spinning Mills Ltd; Shri Ganga Nagar, Rajasthan.—(Shri Ganganagar—Rajasthan)—Cotton Yarn—25,000 spindles.—(NU)

M/s Kerala State Industrial Development Corpn. Ltd: P.B. No 105, Vellayambalam, Trivandrum.—(Trivandrum-Kerala) —Cotton Yarn—25,000 spindles.—(NU)

M/s Kusum Wool & Woollens, (M/s Kusum Hosiery Pvt Ltd) Calcutta.—(Calcutta-West Bengal)—Shoddy Woollen Yarn—600 spindles.—(SE)

M/s Sri Sarda Mills, Podanur, P.O. Coimbatore.—(Coimbatore-Tamil Nadu)—Cotton Textiles—300 looms.—(SE)

M/s Ram Kumar Mills (P) Ltd; Mill No 1, 'Sudhama House', Chickpet, Bangalore.—(Bangalore-Karnataka)—Cotton Yarn—25,000 spindles.—(SE)

M/s Maharashtra State Textile Corporation Ltd; 47, New Marine Lines, Vachani Chambers, Bombay.—(Aurangabad-Maharashtra)—Cotton Textiles—25,000 spindles.—300 looms. —(NU)

M/s Simplex Woollen Mills, Props. Seth Industries Pvt Ltd; Sadhana Rayon House, D.N. Road, Bombay-1.—(Bhayandar, Thana, Maharashtra)—Shoddy Woollen Blankets—26 power looms.—(SE)

M/s Suraj Textile Mills, Malout, Faridkot, Punjab.—(Malout, Faridkot, Punjab)—Cotton Yarn—25,000 spindles. —(SE)

M/s Pondicherry Industrial Development & Investment Corporation Ltd; Industrial Estate, Thattanchavady, Pondicherry.—(Pondicherry)—Cotton Yarn—25,000 spindles.—(NU)

M/s Chamundi Textiles (Silk Mills) Ltd; Ramanagaram, Bangalore.—(Ramanagaram, Bangalore, Karnataka)—Pure Silk Fabrics—101 power looms.—(SE)

M/s Pulliccan Mills Ltd; Tiruchengode, Tamill Nadu.—

(Tiruchengode-Tamil Nadu)—Cotton Cloth—250 automatic looms of indigenous make.—(NA)

Paper and Pulp

M/s Pudumji Pulp & Paper Mills Ltd; 60, Forbes Street, Bombay.—(Thergaon, Chinchwad, Poona, Maharashtra)—Paper (Greese proof and Glassine)—7,500 tonnes; Printing & Mailing Paper—3,500 tonnes p.a. (total 11,000 tonnes p.a.)—(SE)

Shri Surendra Kumar Tapuriah, 1/22, Shantiniketan, New Delhi. — (Rajgarh-Madhya Pradesh) — Pulp—6,000 tonnes: Packing & Wrapping Paper.—6,000 tonnes p.a.—(NU)

Shri S. K. Kajriwal, c/o Kajriwal Enterprises, Kala Bhavan, Office No 5, 3-Mathew Road, Bombay.—(Maharashtra)—**Pulp**—10,000 tonnes; **Packing & Wrapping Paper**—5,000 tonnes; Writing & Printiug Paper—5,000 tonnes.—(NU)

Shri Arvind Narayandas, Post Box No 40, Akola.—(Maharashtra)—Pulp—3,000 tonnes; Packing, Wrapping, Writing & Printing Paper—3,000 tonnes.—(NU)

M/s Vivek Paper Mills Ltd; 1010, Ansal Bhawan, 16, Kasturba Gandhi Marg, New Delhi.—(Maharashtra)—Pulp—6,000 tonnes; Packing & Wrapping Paper—6,000 tonnes.—(NU)

M/s Supreme Paper Mills Ltd; Todi Mansion, P-15, Indra Exchange Place Extension, Calcutta.—(Kalaghat, Midnapur, West Bengal)—Pulp—6,000 tonnes; Packing & Wrapping Paper—6,000 tonnes.—(NU)

M/s Punjab Paper Mills, 412, Ansal Bhawan, 16, Kasturba Gandhi Marg, New Delhi.—(Hoshiarpur/Sangrur, Punjab)—Pulp—6.000 tonnes; Packing & Wrapping Paper;—6,000 tonnes.—(NU)

Shri M. L. Saraf, 24-R. N. Mukherjee Road, Calcutta.—(Calcutta-West Bengal)—Pulp—6,000 tonnes; Packing & Wrapping Paper;—6,000 tonnes.—(NU)

M/s U.P. Paper Mills, Dilkhush, Gurdev Nagar, Ludhiana.—(Bulandshahar, U.P.)—Pulp—6,000 tonnes; Writing & Printing Paper—6,000 tonnes.—(NU)

M/s Todi Industries Pvt Ltd; Todi Estate, Lower Parel, Bombay.—(Maharashtra)—Pulp—3,000 tonnes; Packing & Wrapping Paper—3,000 tonnes.—(NU)

M/s Janta Paper Mills Ltd; Harsarandas Marg, South Industrial Area, Scheme-1. Bulandshahar Road, Ghaziabad.—(Ghaziabad. Meerut, U.P.)—Pulp—3,000 tonnes; Packing & Wrapping Paper—3,000 tonnes.—(NU)

Shri Vijendra Kumar, 11-Mandeville Gardens, Calcutta.—(Cuttack-Orissa)—Pulp—10,000 tonnes; Packing & Wrapping Paper—10,000 tonnes.—(NU)

Shri B. K. Taparia, Shale Bulding, Bank Street, Fort, Bombay.—(Maharashtra)—Pulp—6,000 tonnes; Packing & Wrapping Paper—6,000 tonnes.—(NU)

Shri A. R. Santhana Krishnan, 1-Kumara Kripa, 62/18, Krishnaswamy Iyer Avenue, Mylapore, Madras-4.—(Pugalur R. S., Trichy & Near Vaigai Dam, Madurai, Tamil Nadu)—Pulp—10,000 tonnes; Writing & Printing Paper.—5,000 tonnes; Wrapping & Packing Paper.—5,000 tonnes.—(NU)

Shri M.L. Zutshi, Chairman. M/s Mandya National Paper Mills Ltd; Belagula, Srirangapatna Taluk, Mandya Distt. Mysore. — (Belagula Mandya, Karnataka)—Pulp — 18,000 tonnes; Paper & Paper Board.—18,000 tonnes.—(SE)

Shri Mukul Jain, A-37, Kallash Colony, New Delhi.—(Haryana)—Pulp—10,000 tonnes; Packing & Wrapping Paper.—10,000 tonnes.—(NU)

Shri P.K. Rajgarhia, 1010, Ansal Bhawan, 16, Kasturba Gandhi Marg, New Delhi.—(Himachal Pradesh)—Pulp—10,000 tonnes; Writing & Printing Paper.—6,000 tonnes; Packing & Wrapping Paper.—4,000 tonnes.—(NU)

M/s Gillanders Arbuthnot & Co Ltd; A-I, Gillander House, Netaji Subhas Road, Calcutta-1.—(Kakinada, E-Godava Andhra Pradesh)—Pulp—6,000 tonnes; Writing & Printing Kraft Paper—6,000 tonnes.—(NU)

M/s G. S. Mandidip Paper Mills Ltd; Sehore, M.P. (Sehore, Madhya Pradesh)—Pulp—8,250 tonnes; Writing Printing Paper and Wrapping & Packing Paper—8,250 tonn—(SE)

Shri J. D. Chawla, 72, Gokhale Market, Tiz Hazari Cour Delhi.—(Dehradun-Uttar Pradesh)—Pulp—3,000 tonn Wrapping & Packing Paper—3,000 tonnes.—(NU)

Shri S. R. Goenka, 6-Alipore Park Road, Culcutta-27. (Mayurbhanj, Orissa)—Pulp—6,000 tonnes; Duplex Board 6,000 tonnes.—(NU)

Shri Nand Kishore Agarwal, c/o Nav Bharat Machine Engg. Co, 6-Nagdevi Cross Lane, Bombay.—(Ratnagi Maharashtra)—Pulp—3,000 tonnes; Packing & Wrappi Paper—3,000 tonnes.—(NU)

Shri Satyanarayan Agarwal, 28-Apollo Street, Fort, Bom bay. (Ratlam-Madhya Pradesh)—Pulp—6,000 tonnes; Writi & Printing Paper—6,000 tonnes.—(NU)

M/s Pudumjee Pulp & Paper Mills Ltd; 60, Dr. V. Gandhi Marg, Bombay.—(Chinchwad, Poona, Maharashtra)-Pulp—17,000 tonnes; Paper—20,000 tonnes; out of 20,0 tonnes, 7000 tonnes will be of thin writing paper and 20 tonnes high density Carbonising paper (SE)

Shri R.K. Agarwal, 3/8, Deshbandhu Gupta Road, Paha ganj. New Delhi.—(Haryana Paper Mills Ltd)—(Jind-Ha yana)—Pulp—6,000 tonnes; Packing & Wrapping Paper.-6,000 tonnes.—(NU)

Shri D. Sudhakar Reddy, 19-A, Taylors Road, Kilpauk Madras.—(Chittor, Andhra Pradesh)—Pulp—3,000 tonnes Packing/Wrapping Paper—3,000 tonnes.—(NA)

Shri Uma Shanker Modi, 24-Madanmohantalla Street Calcutta. (Overseas Packaging Inds. Pvt Ltd)—(Cuttack-Orissa—Pulp—6,000 tonnes; Packing & Wrapping Paper—6,00 tonnes.—(NU)

M/s Sri Ramesh Chander Kathuria, 55-B, Rama Road Najafgarh Road, New Delhi. (Rama Chandra Paper Mills Ltd—(Bhiwani, Mahendergarh, Haryana)—Pulp—3,000 tonnes Packing & Wrapping Paper—3,000 tonnes.—(NU)

Shri S. N. Agarwal, 11/3, Nandidurg Road, Rajmahal Vila Exten, Bangalore-5. (Karnataka Paper Mills Ltd)—(Karnataka)—Pulp—6,000 tonnes. Packing & Wrapping Paper—6,000 tonnes.—(NU)

M/s Rollatainers Ltd; 20/2, Mathura Road, Faridabad.—(Chandrapur, Maharashtra)—Pulp—3,000 tonnes; Packing & Wrapping Paper—3,000 tonnes.—(NU)

Shri B. P. Gupta, 189, Pataliputra Colony, Patna-13.—(Dharbhanga-Bihar)—Pulp—3,000 tonnes; Packing & Wrapping Paper—3,000 tonnes.—(NU)

M/s Transport Corpn. of India Ltd; P-4, New C.I.T. Road, Calcutta.—(Koraput, Orissa)—Pulp—50,000 tonnes; Writing & Printing Paper—30,000 tonnes; Wrapping & Packing Paper—20,000 tonnes.—(NU)

M/s Continental Consultants Pvt Ltd; 'Hongkong House', 31-Dalhousie Square, Calcutta-1.—(Midnapore, Calcutta, West Bengal)—Pulp—16,000 tonnes; Writing & Printing Paper—10,000 tonnes; Packing & Wrapping Paper—6,000 tonnes.—(NU)

Shri Kashi Nath Rajgarhia, D-7/6, Vasant Vihar, New Delhi.—(Raipur-Madhya Pradesh)—Pulp—3,000 tonnes; Writing & Printing Paper—3,000 tonnes.—(NU)

M/s Bharat Tissue, 209, Pimpri, Poona-1.—(Ratnagiri Maharashtra)—Electrical Grade Tissue Paper for Capacitors

Cables—700 tonnes; Metalised & Lacquered Tissue Paper 0 tonnes.—(NU)

Sugar

M/s Kadawa Sahakari Sakhar Karkhana Ltd; Post Khad-, Taluka Devdasi, Nasik.—(Khergaon, Devdasi, Nasik, arashtra)—**Sugar**—1,250 tonnes of Cane Crushing Capa- per day.—(NU)

M/s Karmveer Kakasaheb Wagh Sahakari Sakhar Karkhana ited, Kakasahebnagar, Taluka Niphad, Nasik, Maharash- —(Ranwad, Niphad, Nasik, Maharashtra)—Sugar—1,250 nes of Cane Crushing Capacity per day.—(NU)

M/s Karnal Co-operative Sugar Mills Ltd; Pindi House, Mall, Karnal. — (Karnal-Haryana) — Sugar : 1,250 nes of Cane Crushing Capacity Per Day.—(NU)

Food Processing Industries

M/s Banaskantha District Co-operative Milk Producers ion Ltd; Post Box No 20. Palanpur.—(Palanpur-Gujarat— **lk Powder**—4,000 tonnes. Casein—250 tonnes. Butter—3,000 nes. Ghee—500 tonnes.—(NU)

M/s Ayodhya Flour Mills Pvt Ltd; 78/53-A, Latouch Road, npur.—(Unnao-UP)—Wheat Products—30,000 tonnes p.a. NU)

M/s Mangilal Bagri, Room No 66 & 67, (3rd Floor), 207, D. Road, Calcutta.—(Bokaro-Bihar)—Wheat Products— 000 tonnes.—(NU)

Vegetable Oils and Vanaspati

M/s Anand Taluka Co-operative Cotton Sale Ginning & essing Society Ltd; Chikodra, Kaira, Gujarat).—(Anand, ira, Gujarat)—Cotton Seed Oil—20,000 tonnes in terms of eds.—(NA)

M/s Sankar Solvent Oil Mills (P) Ltd; Madras Dock Lab- r Board Building, 4th Floor North Beach Road, Madras-1.— amil Nadu)—Cotton Seed Oil—15,000 tonnes p.a—(NU)

Ceramics

M/s W.S. Insulators of India Ltd; Dhun Building 175/1, ount Road, Madras-2.—(Madras-Tamil Nadu)—H.T. Insu- tors including Bushings upto 400 KV—6,000 tonnes p.a. (SE)

Cement and Gypsum Products

M/s Tamil Nadu Industrial & Development Corporation td; 3rd Floor, L.L.A. Buildings, 150-A, Anna Salai, Madras. -(Ariyalur, Trichy, Tamil Nadu)—**Cement**—5 lakh tonnes.— NU)

M/s Asbestos Packing & Manufacturing Co (P) Ltd; Parsi anchayat Road, Andheri East, Bombay.—(Bombay-Maharash- a)—Asbestos Textile Yarn, Packings, Mattresses and Man- e—800 tonnes.—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s The Mysore Kirloskar Ltd; P.O. Yantrapur, Harihar. —(Dharwar-Karnataka)—Cast Iron Castings—4,200 tonnes .a.—(SE)

M/s Ramacast Limited, 12-Government Place East, Cal- utta-1.—(North Bihar-Bihar)—S. G. Iron Castings—1,000 onnes; Malleable Iron Castings—3,000 tonnes.—(NU)

Electrical Equipment

M/s Beekay Enterprises, 4-Ganesh Chandra Avenue, Cal- utta-13.—(West Bengal)—*Lamp Caps*—60 million pieces.— NU)

Shri Rama Iyengar, "NAYAKI", 40, Chambers Road, Madras.—(Madras-Tamil Nadu)—Lamp Caps—60 million pieces.—(NU)

M/s Lamps & Glass Components, 16-Hailey Road, New Delhi.—(Bulandshar-UP)—Lamps Caps—60 million pieces. —(NU)

Shri M.M. Chopra, B-258, Greater Kailash, New Delhi.— (Uttar Pradesh)—Lamps Caps—60 million prices.—(NU)

M/s Electra Wire Stamping (P) Ltd; Meesut.—Meerut, Uttar Pradesh)—Laminations for power Distribution and Instrument Transformers—2,000 tonnes; Laminations for Communication Transformers. Electricity Meters & Switch Gear Equipment: Stamping for Electrical Rotating Machinery. (Item No II & III combined capacity—750 tonnes p.a.) Total capacity— 2,750 tonnes p.a—(NU)

M/s Kalpana Industries, A-4/D, Industrial Estate, Indore. —(Madhya Pradesh)—*Tungsten Wire*—4 tonnes p.a; Dumet Wire—20 tonnes; Molybdenum Wire—3 tonnes; Tungsten Filament—40 Million pices. p.a—(NU)

M/s Voltamp Transformers Pvt Ltd; Baroda.—(Gujarat)— Electrical Steel Laminations for transformers and other elec- trical equipment—1,200 tonnes.—(NU)

M/s Vee Electrical Stampings (India) Pvt Ltd; 26/68, Shakti Nagar, Delhi.—(Rewa-Madhya Pradesh)—Laminations for Transformers and Chokes, etc.—2,000 tonnes p.a; Stamp- ing for rotating machines—1,000 tonnes; Magnetic Strip wound cores—200 tonnes; TOTAL :—3,200 tonnes p.a—(NU)

Shri Ishwarlal D. Gandhi, (M/s Emco Esta Capacitors Ltd), 86, Gandhi Nivas, Santacruz (W), G-Road, Bombay.— (Kalwa, Thana, Maharashtra)—L. T. and H. T. Power Factor Capacitors—40,000 KVAR.—(SE)

M/s Bharat Heavy Electricals Ltd; 18-20, Kasturba Gandhi Marg, New Delhi.—(Khelar, Jhansi, UP)—33 KV to 132 KV Power Transformers—50—nos; Special 1 purpose Transfor- mers like Furnace Transformers, Rectifier Transformers, etc. (13 KV and 18.75 MVA)—34 nos; Traction Transformers— 100 nos; Reactors—80 nos. p.a; Instrument Transformers— 1960 nos.— (NU)

M/s J. V. Electronics (P) Ltd; B-5/129, Safdarjang Enclave, New Delhi.—(Faridabad-Haryana)—Silvered Mica Plates and Sections and components.—200 mill. pieces p.a—(NU)

M/s Bihar State Industrial Development Corporation Ltd; Bandar Bagicha, Patna.—(Patna/Ranchi, Bihar)—Patient Moni- toring System—25 nos. p.a; Cardiac Monitoring System—25 nos. p.a; Multi-Channel Recorders—100 nos. p.a—(NA)

Shri V.P. Luthra, 26-Community Centre, East of Kailash, New Delhi.—(Santa Cruz EPZ, Bombay-Maharashtra)—*Radios* AM/LW Multiband AM/FM and Car Radios—200,000 nos; Monochroma and colour TV sets—50,000 nos; Electronic Desk Calculators—20,000 nos; Tape Recorders—10,000 nos; Amplifiers—10,000 nos; IFT Coils—4,000,000 nos.—(NU)

Shri R. Jagdish Chandran, Premier House, ATD Street, Race Course, Coimbatore. — (Santa Cruz EPZ, Bombay, Maharashtra)—Wire Wrapped Boards—18 million nos. p.a— (NU)

Transportation

Shri Vasant B. Gala, c/o M/s Shah Nanji Nagsi, Post Box No 311, Itwari, Nagpur.—(Gujarat)—*Automobile Carburetters* 3,00,000 nos. p.a—(NU)

M/s Union Company (Accessories) Pvt Ltd; 29, Mount Road, Madras.—(Alandur, Madras, Tamil Nadu)—Mechani- cal Jacks—1,00,000 nos. p.a—(SE)

M/s T. Maneklal Mfg. Co Ltd; Vaswani Mansion, Dinshaw- Vachha Road, Bombay.—(Kurla, Sakinaka, Bombay, Mahara- shtra)—Controlled tension centre winding and unwinding machine with slow motion drive upto 12 stations, which can

be synchronised to any machine: Surface winding machine; Special type of roll carrier frame—(Total 100 nos. p.a)—(NA)

M/s Stovec Screens India Ltd; 43, Dr V.B. Gandhi Marg, Fort, Bombay.—(Ahmedabad, Vatva, Ahmedabad, Gujarat) —Special Lacquers & Chemicals for rotary nickel screens—15 tonnes p.a—(NA)

Industrial Machinery

M/s Usha Telehoist Ltd; 14-Princep Street, Calcutta-13.—(Budge Budge, 24-Parganas, West Bengal)—*Hydraulic Pitprops* —10,000 nos. p.a—(NA)

M/s Kooverji Devshi & Co Pvt Ltd; 105, Arun Chambers, Tardeo Road, Bombay.—(Govandi, Maharashtra)—*Substantial Fxpansion*: 1. Fire Extinguishers of all types & Capacitors—48,000 nos. p.a; Refills for (i) above—2,40,000 nos. p.a; Fire Engines, Crash Tenders, Rescue Tenders, Foam Tender, etc.—200 nos. p.a; Trailer Fire Pumps, Portable Pumps, Water Hawsers and other fire Fighting Pumps—300 nos. p.a. *Accessories as under*:—Rs 20 lakhs p.a—Foam making branchpipe No 02 & 10, Knapsack tank, Ioline inductor, Multiple Jet inductor, Foam Generator, Fog Nozzles, Gun Metal Adapters (Assorted) Gun metal instantaneous and quick release couplings. Branch pipes with Nozzles, Dividing Breeching, Collecting Breeching Metal Strainer Fire Hydrant Valve, Section Couplings, Suction Collecting Head, House and Coupling Wire binding machine. *New Articles*: Smoke & Heat Detecter Paroles, Rate of temperature rise detectors, Flame Detectors, Fixed Temperature Detectors, etc.—800 nos. p.a—(SE/NA)

Machine Tools

M/s Indian Precision Engineers, 'Guru Sannidhi', Shankarapark, Bangalore-4 —(Bangalore-Karnataka) — Electro-Magnetic Clutch Brake-Multi-Disks.—5,000 nos. p.a; Electro-Magnetic Clutch Brake-Single-Disks—2,000 nos. p.a; Other Allied Electro-Magnetic Equipment/Units—1,000 nos. p.a——(NU)

Medical & Surgical Instruments

Brig. K. Raghunath, Mg. Dir., Artificial Limbs Manufacturing Corporation of India, III Campus, Kanpur-16.—(Kanpur-Uttar Pradesh)—*Lower Extrimity Orthetics*—4,50,000 nos; Upper Extrimity Orthetics—1,30,000 nos; Lower Extrimity Prosthetics—85,000 nos. p.a; Upper Extrimity Prosthetics—15,000 nos. p.a; Rehabilitation Aids—18,000 nos. p.a—(Total: 6,98,000 nos. p.a—(NU)

M/s Siemens India Ltd; 134, A, Dr Annie Besant Road, Worli, Bombay.—(Bombay-Maharashtra)—Cobalt Radio Therapy Units—10 nos p.a-—(NA)

Fertilizers

M/s Indian Farmers Fertilizer Cooperative Ltd; N-11. New Delhi South Extension Part-1, New Delhi 49.—Phulpur, Uttar Pradesh)—Urea—4,95,000t onnes—(NU)

Chemicals (Other than Fertilizers)

M/s Bharat Heavy Plate & Vassels Ltd; BHPV (PO), Visakhapatnam.—(Visakhapatnam.Andhra Pradesh)—Oxygen Gaseous & Liquid; Nitrogen total 1 million Cubic Metres p.a—(NA)

M/s Chemicals & Plastics India Limited, 175/1, Mount Road, Madras.—(Tamil Nadu)—*Rigid PVC Pipes*—2,000 tonnes p.a—(NU)

Shri D.D. Agarwal, Aquacase Pvt Ltd; 64, Regal Building, (2nd Floor), Cannaught Circus, New Delhi.—(Rajasthan)—Rigid PVC Pipes—2,500 tonnes p.a—(NU)

M/s Gujarat State Fertilizer Company Limited, PO Fertilizer Nagar, Distt Baroda, Gujarat.—(Baroda-Gujarat—mine—5,000 tonnes—(NU)

M/s Southern Petro-Chemicals Industries Corpor Limited, Armenian Street, Madras.—(Tirunelveli, Tamil N —Melamine—5,000 tonnes—(NU)

M/s Hindustan Copper Ltd; Industry House, 10-Ca Street. Calcutta.—(Jhunjhunu-Rajasthan)—Aluminium ride 5,000 tonnes p.a—(NA)

M/s Indian Dyestuff Industries Ltd; Mafatlal Ce Nariman Point, Bombay.—(Kalyao-Maharashtra)—Phth Anhydride—7,200 M. tonnes p,a—(NA)

M/s Dayapore Tea Co Ltd: 20, Sir R.N, Mukherjee R Calcutta.—(New Alipur, Calcutta, West Bengal)—Oxygen —4 lakh CM—(NA)

M/s Shri Ambica Mills Ltd; Kankarea,, Ahmedaba —(Andhra Pradesh)—Phthalic Anhydride—5,000 tonnes p. (NU)

Shri M.L. Rathi, 7-Mysore House, Civil Lines, Jaipu (Alwar-Rajasthan)—Ossein—1,200 tonnes p.a; Di-Calci Phosphate—2,100 tonnes p.a—(NU)

Drugs & Pharmaceuticals

Shsi J.N. Agarwal, 'Usha Kiran' Flat No 29, 14th Flo Carmichael Road, Bombay-20.—(Mysore-Karnataka)—D trose Mono-hydrate—10,000 tonnes p.a; Speciality Starches Commercial startches—10,000 tonnes p.a; Glucose—3.5 tonnes p.a; and Bye-products thereof.—(NU)

M/s Barium Chemicals Ltd; PO Ramavaram, Distt: Kha mam.—(Ramavaram, Khammam, AP)—Barium Carbonate 6,000 tonnes p,a; Barium Chloride—2,000 tonnes p.a—(SE)

Shri Vijay Parkash, c/o Shree Bharat International No Sindhu House, Ground Floor, Nanabhai Lane, Fort, Bomba —(Madhya Pradesh)—Electrolytic Manganese Dioxide—3,5 tonnee p.a—(NU)

M/s Excel Industries Ltd; 184—87, S.V. Road, Jogeshwa Bombay.—(Bhavnagar, Gujarat)—Di-ethyl Thio Phosphor Chloride/Di-Methyl, Thio Phosphryl Chloride—1,000 tonn p a; (Total)—(NA)

M/s Caustic (India) Ltd; 16-A, Brabourne Road, 9th Floo Calcutta.—(Dholpur, Bharatpur, Rajasthan)—Benzene Hexa chloride Technical—3.300 tonnes—(NA)

Shri K.V. Ranganathan, 28, Natesa Iyer Street, T. Naga Madras.—(Ponneri, Chingleput. Madras, Tamil Nadu)—Insoluble Sulphur (60%)—1,500 tonnes p.a; Insoluble Sulphu (90%)—2,500 tonnes p.a—(NU)

M/s Kirlampudi Sugar Mills Ltd; Pithapuram, East Godavari, Andhra Pradesh.—(Pithapuram, East Godavari, Andhra Pradesh)—Furfural—6,000 tonnes—(NA)

Shri B.B. Ramaiah, c/o Jayalakshmi Plastics & Chemical 14-Conransmith Road, Madras.—(Ranipet, North Arcot, Tami Nadu)—Pentaerythritol—1,000 tonnes; Sodium Formulate (Bye Products)—760 tonnes p.a—(NU)

Shri E. Ahobala Rao, "Gopal Bagh", 7/15, Haddows Road Madras.—(Manals, Chingleput, Tamil Nadu)—Benzene Hexachloride Technical—6,000 tonnes; Lindane—200 tonnes p.a—(NU)

M/s Miston & Co, 2-Brabourne Road, Calcutta.—(Chanditolla-(West Bengal)—Oxygen—1.0 Mill CM; Nitrogen—1.5 mill CM—(NU)

Shri Shanti Prasad Agarwal, 50-Jatindra Mohan Avenue, Calcutta.—Danukuri-West Bengal)—*Oxygen*—1.0 Mill CM; Dissolved Acetylene—0.2 mill CM; Nitrogen—0.1 Mill CM.

M/s Sandoz (India) Ltd; Dr Annie Besant Road, Worli, Bombay.—(Kolshet, Thana, Maharashtra)—Intestopan Substance and Formulations based thereof—40 tonnes p.a=(SE)

I/s MAC Laboratories (P) Ltd; 60, Sir Phirnzeshah ta Road, Bombay.—(Vapi, Bulsar, Gujarat)—Cholaramicol Palmitate (Bulk)—25 tonnes p.a; Chloramphenicol itate (Syrup)—200 Kilo Litres—(NA)

Dyestuffs

M/s Sahyadri Dyestuffs & Chemicals Ltd: Mafatlal House, bay.—(Poona-Maharashtra)—Michler's Hydrol—100 ton- —(NA)

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitladevi Temple d, Mahim, Bombay.—(Vapi-Bulsar-Gujarat)—Disperse s—200 tonnes P.a—(NA)

Textiles

M/s Gwalior Rayon Silk Mfg (Wvg) Co Ltd; 4-UCO Bank lding, 4th Floor, Parliament Street, New Delhi.—(Karna- a)—Polynosic Fibre—36,500 tonnes p.a—(NU)

M/s Rallis India Ltd; 21, Raveline Street, Fort, Bombay.— ndheri East, Bombay, Maharashtra)—*Ready Made Garments* ,40,000 pieces on 3 shift basis—(NU)

Mr M.S. Merchant, C-3, Corinthian, Near Telephone avan, Colaba, Bombay.—(Goa)—Administer Woven Woollen rpets—1.2 mill Sq meters—(NU)

Shri K.L. Dalal, 14-Shasidhar, 5th Floor, Dr Rajabhai tel Road, Off: Warden Road, Bombay.—(Mahim, Bombay, aharashtra)—Elastic Tapes/Webbings—7.5 Mill Inch Metres; ubber Covered Yarn—50 tonnes p.a—(NU)

Paper & Pulp

The Director of Industries, Manipur, Imphal.—(Jiribam, anipur, Manipur)—Pulp—66,000 tonnes; Writing & inting Paper—66,000 tonnes—(NU)

M/s The West Coast Paper Mills Ltd; Shreeniwas House, . Somani Marg, Bombay.—(Dandali, Karnataka)—Writing : Printing Paper and Board—30,000 tonnes—(SE)

M/s The West Coast Paper Mills Ltd; Shreeniwas House, . Somani Marg, Bombay.—(Dandali, Karnataka)—Newsprint -30,000 tonnes—(NA)

The Director of Industries, Government of Manipur, mphal.—(Karong-Manipur)—*Insulating Paper For*:-Tele- ommunication & Power, Cables—4,500 tonnes p.a; Copper Coductors & Strips—500 tonnes p.a; Water Washed Papers & Phenolic Resin Coated Insulation Papers—1,650 tonnes; Elect- ic-Motors and other Industrial Machines—100 tonnes; High trength Kraft Papers (such as sack Kraft, etc.)—1,500 tonnes; ,250 tonnes tonnes p.a—(NU)

Food Processing Industries

Jagatjit Industries Ltd; 54, Ring Road, Lajpat Nagar, New Delhi.—(Cuddapah, Andhra Pradesh)—*Milk Powder*—2,500 tonnes; Infant & Weaning Food—1,500 tonnes; Malted Milk Food—1,500 tonnes; Sweetened Condensed Milk—1,200 tonnes; Processed Cheese—500 tonnes—(NU)

Shri Sudhir Gupta, 70-B, Vallabhnagar, Kota.—(Kota, Rajasthan)—Maize Products—30,000 tonnes—(NU)

Shri N. K. Jain, 190, Civil Lines (North), Muzaffarnagar (Mathura, Uttar Pradesh)—Maize Products—30,000 tonnes in terms of Maize—(NU)

Shri Ashok Jain, E-82, Ashok Vihar P ase-1, Delhi.— (Unnao, Uttar Pradesh)—Maize Products—30,000 tonnes in terms of Maize—(NU)

Shri Roshan Lal Jain, c/o Paragon Industries, 737, Mission Church Road, Fatehpuri, Delhi.—(Hoshiarpur, Punjab)— Maize Products—30,000 tonnes in terms of Maize—(NU)

M/s Andhra Pradesh Industrial Development Corporation Limited, B-1-174, Fateh Maiden Road, PB No 13, Hyderabad. —(K.C. Kanal Are, Cuddapah, Andhra Pradesh)—Milk Powder—2,500 tonnes p.a; Infant & Weaning Foods—1,500 tonnes p.a; Malted Milk Food—1,500 p.a; Sweetened condensed Milk—1,200 tonnes p.a; Processed Cheese—500 tonnes; Ghee/Cream/Butter—2,000 tonnes (NU)

Cosmetics and Toilet Soaps

General Manager, Government Soap Factory, Bangalore.— (Bangalore-Karnataka)—Toilet Soaps—25,400 tonnes; Glycerine —1,200 tonnes—(SE)

Rubber Goods

Shri Raj Mohan Singh, B-66, Greater Kailash, New Delhi. (Faridabad-Haryana)—Synthetic Rubber Cots—2,00,000 Metres; Synthetic Rubber Aprons—2,00,000 Metres; Pickers— 50,000 nos; Loam Buffers—50,000 nos—(NU)

Ceramics

M/s Indo-Asahi Glass Co Ltd; Sodepur, 24-Parganas, West Bengal.—(Sodepore 24-Paraganas, West Bengal)—Silica-Alumina/Zirconia Electro-Cast Refractories—2,400 tonnes; Alumina Cement & Castables—1,200 todnes—(NU).

Shri Shyam Sundar Jalan, 5-Mission Road, Calcutta-1,— (Paradeep Port—Orissa)—R*efractory Grade Magnesia*—75,000 tonnes p.a—(NU)

Change in Names (Owners or Undertakings)

(Information pertains to particular licences only)

From M/s Lakshmi Janardan Food Products (P) Ltd; Calcutta to M/s Eljay Food Products Ltd; Calcutta.

From M/s The Gujarat State Federation of Cooperative Spinning Mills Ltd; Ahmedabad, to M/s Amreli Jilla Sahakari Spinning Mills Ltd; Amreli.

From M/s R.N. Rustomjee & Co, Bombay, to M/s Rallis India Ltd; Bombay.

From M/s Binny's Engineering Works Ltd; Madras, to M/s Binny Limited, Madras.

Licences Revoked, Cancelled or Surrendered

(Information pertains to particular licenoes only)

M/s Pearl Cycle Industries Ltd; New Delhi—Bicycle Chaias —(Cancelled)

Letters of Intent Revoked, Cancelled, Surrendered or Lapsed

(Information pertains to particular letters of intent only)

M/s Hindustan Housing & Industries Ltd; Hong Kong House, Calcutta,—(Madhya Pradesh)—Wheat Products— (Cancelled)

Shri R.K. Sondhi, c/o M/s Associated Engg Works Ltd; Delhi.—(Haryana)—Panel Instruments—(Lapsed)

M/s Globe Auto Electricals Ltd; Bombay.—(Maharashtra)— Automobile Electricals Equipments—(Lapsed)

M/s Globe Auto Electrical Ltd; Bombay.—(Maharashtra)— Auto Electrical Equipment—(Lapsed)

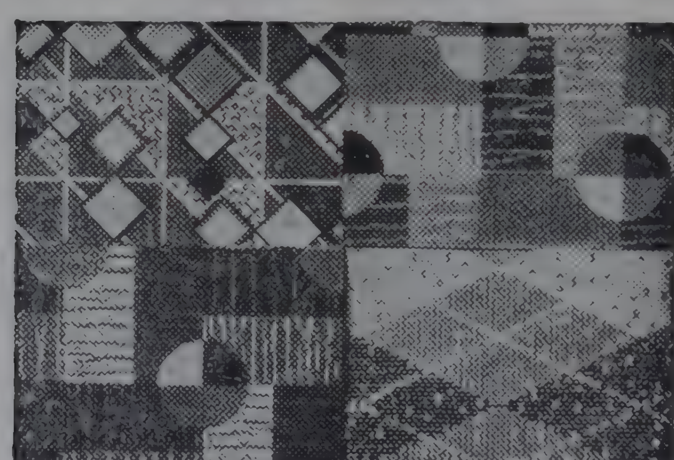
Shri Jagdish Prasad, Tej Bahadur Sapru Marg, Lucknow.— (Uttar Pradesh)—3-Wheeler Scooters—(Lapsed)

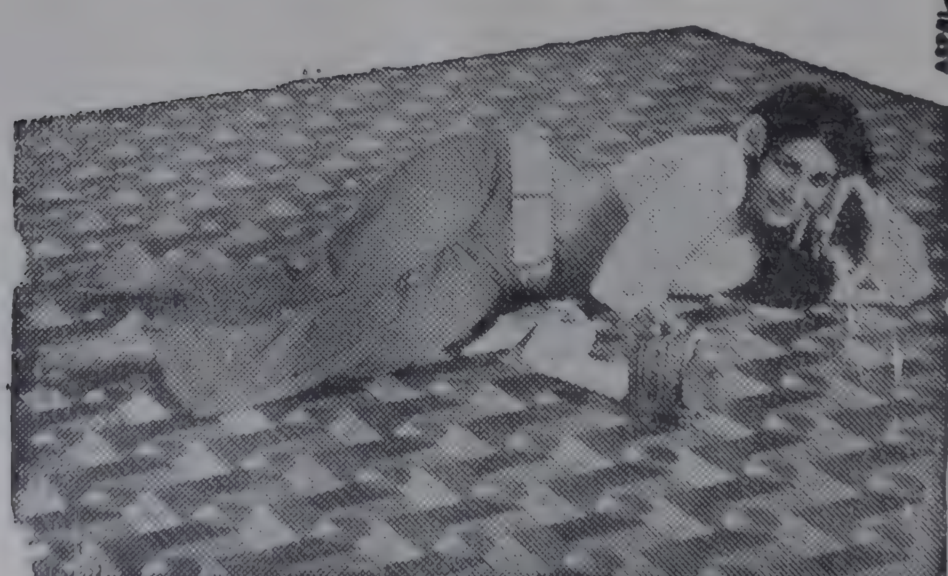
M/s Adarash Holdings Pvt Ltd; 59, Golf Links, New Delhi.—(Uttar Pradesh)—Bicycle Rims—(Cancelled)

M/s J. Stone & Co (India) Ltd; 16-Taratalla Road, Calcutta.—(West Bengal)—Rotary Switches & System Relays— (Cancelled)

M/s Searsole Mining Industries Pvt Ltd: 6-Church Lane, Calcutta.—(West Bengal)—Acetylene Black—(Lapsed)

M/s S.B. Udyog, Ansal Bhawan, Flat No 510, 16-Kasturba Gandhi Marg, New Delhi,—(Haryana)—Steel Wires—(Cancelled)





RECORDS AND STATISTICS

Financial assistance to states

STATE-WISE distribution of financial assistance sanctioned by each of the all-India long-term public financial institutions, viz., the Industrial Development Bank of India, the Industrial Finance Corporation of India, the Industrial Credit and Investment Corporation of India, the Life Insurance Corporation of India and the Unit Trust of India, indicating separately the amount of assistance to backward districts are given in Tables I, II, III and IV.

In this connection, it may be stated that the financial institutions have no direct control over the location of a project as these are decided by the promoters and/or are indicated in industrial licence.

The financial institutions are mainly concerned with the techno-economic feasibility, financial and commercial viability, economic justification and competence of the management to successfully implement the projects which come up to them for assistance. The financial institutions endeavour to ensure that no worthwhile industrial project is allowed to languish for want of finance from them. Within this general objective, they take particular care to be of assistance to projects being sponsored by technician-entrepreneurs, those coming up for establishment in backward districts etc. With this purpose in view the IDBI the IFC and the ICICI have devised schemes of concessional financial assistance for development of industries in specified backward districts. The schemes of concessional finance have been liberalised and their scope enlarged.

The schemes now cover all industrial projects—new, expansion or rehabilitation in the corporate as well as co-operative sectors, irrespective of their capital cost. Briefly the salient features of the schemes of consessional finance are as follows :

(i) Concession in the rate of interest on rupee loans viz., 8.5 per cent against normal lending rate of 10.25 per cent, concessional rate of interest for foreign currency loans at the rate of 9.5 per cent as against the normal rate of 10.5 per cent by IFC and ICICI, longer initial grace period and extended amortisation period depding on the merits of each case, reduced margin of security, lower contribution by the promoters to the cost of the project and larger participation by the institutions in the equity and preference capital of assisted projects, and 50 per cent reduction in the institutions normal service charges in respect of commitment charge, underwriting commission, non-refundable examination fee for processing in the loan applications and legal charges.

(ii) The overall ceiling in respect of loans extended on concessional terms from these institutions would be upto Rs 2 crores.

(iii) These concessions can be availed of by industrial units in addition to the subsidy/grant offered by the central government to the industrial units in certain selected less developed districts/areas.

(iv) The Induttrial Development Bank of India also gives concessional refinance to the full extent to all eligible loans of state financial corporations and banks upto Rs 30 lakhs to small and medium sized projects having paid up capital and reserves not exceeding Rs 1 crores. The concessional rate is 5.5 per cent against the normal rate of 8.5 per cent provided the primary landing institutions do not charge interest more than nine per cent and 12 per cent respectively.

The institutions of late have been providing as-

TABLE I

State-wise Distribution of Finance Assistance Sanctioned by the Industrial Development Bank of India (IDBI) as on 31-6-1974

(Rs lakhs)

State	Other than Backward Districts/ Areas	Backward Districts/Areas		Total
		At normal rates	On concessional terms*	
1. Andhra Pradesh	2706.00	1352.00	137.00	4195.00
2. Assam	74.00	258.00	2013.00	2345.00
3. Bihar	2592.00	205.00	136.00	2933.00
4. Gujarat	10083.00	1793.00	337.00	12213.00
5. Haryana	1783.00	111.00	224.00	2119.00
6. Himachal Pradesh	103.00	29.00	69.00	201.00
7. Jammu & Kashmir	—	65.00	31.00	96.00
8. Karnataka	2709.00	2130.00	894.00	5733.00
9. Kerala	2122.00	229.00	193.00	2544.00
10. Madhya Pradesh	1918.00	599.00	185.00	2702.00
11. Maharashtra	20460.00	617.00	763.00	21840.00
12. Manipur	—	—	1.00	1.00
13. Meghalaya	—	10.00	4.00	14.00
14. Nagaland	—	—	50.00	50.00
15. Orissa	630.00	469.00	63.00	1162.00
16. Punjab	1497.00	99.00	139.00	1735.00
17. Rajasthan	1643.00	482.00	573.00	2698.00
18. Tamil Nadu	9129.00	1159.00	1080.00	11368.00
19. Tripura	—	11.00	—	11.00
20. Uttar Pradesh	3789.00	739.00	457.00	4985.00
21. West Bengal	6307.00	2265.00	346.00	8918.00
22. Union Territories	1131.00	1893.00	57.00	3081.00
Total	68677.00	14515.00	7752.00	90.944.00

*The schemes of assistance on concessional terms were introduced in the later half of 1970.

sistance to projects in the public sector also. The inadequate assistance to the private sector in certain states which accounts for a comparatively lower share of financial assistance has been sought to be compensated through higher level of public investment including such investments by state government.

It may also be mentioned here that a location of a project is governed by several factors such as infrastructure facilities, availability of raw materials, proximity to market and general investment climate. Distribution of assistance from the financial institutions is primarily due to those limiting factors.

It may also be pointed out that the institutional assistance for fertiliser projects, petrochemical complexes, alloys and special steel projects which have received major portion of direct assistance from the institutions are really projects of a national rather than regional character, even though they have been located in a particular region.

Surveys of Backward States/Union Territories

Apart from the schemes of concessional finance announced for industrial projects in the specified backward districts/areas, the IDBI in collaboration with term lending institutions had initiated industrial potential surveys of specified backward regions in May/June 1970 for the purpose of identifying specific project ideas for implementation in the next five to ten years in the light of resources endowments, demand potential and availability of infrasttructure facilities. surveys of all of the following states/union territories demarcated as backward have been completed:

1. Andhra Pradesh
2. Arunachal Pradesh
3. Andaman & Nicobar Islands
4. Assam
5. Bihar
6. Goa, Daman & Di
7. Himachal Pradesh
8. Jammu & Kashmir
9. Lakasha Deep
10. Madhya Pradesh
11. Manipur
12. Nagaland
13. Orissa
14. Pondicherry
15. Rajasthan
16. Tripura
17. Dadra & Nagar Hav
18. Uttar Pradesh

The joint institutional stu teams in their reports ha recommended several indu trial projects/possibilities f implementation. Of thes 48 projects involving a capit cost of Rs 171.5 crores a

TABLE II

Statewise Distribution of Financial Assistance Sanctioned by Industrial Finance Corporation of India (IFCI) as on 31-12-1974.

(Rs lakhs)

State	Other than Backward Districts/ Areas	Backward District/Areas: At normal rates	Backward District/Areas: On concessional terms**	Total
1. Andhra Pradesh	2519.85	522.93	85.00	3127.78
2. Assam	480.00	304.79	100.00	884.79
3. Bihar	1936.20	621.47	*	2557.67
4. Gujarat	2330.08	855.49	160.00	3345.57
5. Haryana	1430.48	51.09	218.00	1699.52
6. Karnataka	1565.97	1465.53	342.00	3373.50
7. Kerala	1412.74	267.33	—	1680.07
8. Madhya Pradesh	460.03	515.85	205.00	1180.88
9. Maharashtra	8734.54	952.44	1151.07	10836.05
10. Meghalaya	—	95.00	—	95.00
11. Nagaland	—	—	50.00	50.00
12. Orissa	853.07	342.93	45.32	1241.32
13. Punjab	760.80	90.00	—	850.80
14. Rajasthan	806.00	821.85	250.50	1878.352
15. Tamil Nadu	4628.38	1329.30	355.54	6513.29
16. Uttar Pradesh	3678.44	293.54	669.51	4641.46
17. West Bengal	2395.27	1830.37	62.22	4287.8
18. Union Territories	407.98	181.16	250.00	839.14
Total	34399.78	10541.07	3944.16	48885.01

* The total assistance of Rs 100.00 lakhs sanctioned on concessional term, and the relative disbursement shown against Assam is in respect of two projects of one concern one located in a notified backward district in Assam and the other in a notified backward dlstrict in Bihar.

** The schemes of assistance on concessional terms were introduced in the later half of 1970.

TABLE III

State-wise Distributlon of Finance Assistance Sanctioned b the Industrial Credit and Investment Corporation of Ind (ICICI) as on 31-12-74.

(Rs lakh

State	Other than Backward Districts/ Areas	Backward Districts/Areas: At normal rates	Backward Districts/Areas: On concessional terms*	Total
1. Andhra Pradesh	1103.00	440.00	31.00	1574.0
2. Assam	—	329.00	164.00	493.0
3. Bihar	3323.00	10.00	—	3333.0
4. Gujarat	5707.00	414.00	178.00	6299.0
5. Haryana	1329.00	—	30.00	1359.0
6. Himachal Pradesh	—	—	—	—
7. Karnataka	1794.00	1151.00	479.00	3424.0
8. Kerala	914.00	71.00	4.00	989.0
9. Madhya Pradesh	527.00	328.00	153.00	1008.0
10. Maharashtra	16084.00	1084.00	408.00	17576.00
11. Orissa	542.00	429.00	—	971.00
12. Punjab	26.00	5.00	120.00	151.00
13. Rajasthan	531.00	144.00	283.00	958.00
14. Tamil Nadu	45.66	699.00	371.00	5636.00
15. Uttar Pradesh	2154.00	272.00	15.00	2441.00
16. West Bengal	2313.00	805.00	133.00	3251.00
17. Union Territories	534.00	523.00	298.00	1355.00
Total	41447.00	6704.00	2667.00	50818.00

* The schemes of assistance on concessional terms were introduced in the later half of 1970.

implemented or are
implementation and
ojects with a cost of
284.9 crores are under
deration of the financial
utions for financial assis-
. Efforts are being made
by the all-India and the
level development in-
tions to crystalise the
ining industrial possi-
es into concrete pro-
.

r-Institutional Groups

To facilitate the work re-
ng to various facets of the
ect as also to undertake
task of identifying project
s on a continuing basis,
r-Institutional Groups at
state-level have also been
med. This group comprises
all-India term financing
itutions, the state level
itutions, state industrial development corporation and the concerned lead banks. Such Inter-Institutional Groups have also been formed in Kerala, Andhra Pradesh, Jammu and Kashmir, Assam, Bihar, Orissa, West Bengal, UP, Himachal Pradesh, Madhya Pradesh, Rajasthan, Karnataka, Gujarat, Haryana, Punjab and Tamil Nadu.

The IDBI in partnership with other financial institutions/banks/state-level institutions has promoted three consultancy organisations in dfferent regions, viz., (i) Kerala Industrial and Technical Consultancy Organisation Ltd.. for the state of Kerala, (ii) North Eastern Industrial Industrial and Technical Consultancy Organisation Ltd., at Gauhati to cater the needs of the state/union territories in the North Eastern Region and (iii) the Bihar Industrial and technical Consultancy Organisation for the state of Bihar.

Manifold Objectives

The objectives of these organisations are manifold, the more important ones being, the identification of project ideas, preparation of project profiles, feasibility reports and pre-investment studies in respect of specific industries, identification of prospective entrepreneurs for implementation of pojects, provision of technical and administrative assistance to entrepreneurs for promoting and management of industries, undertaking market research and surveys for specific products and undertaking techno-economics appraisal of projects on behalf of financial institutions and banks.

Since inception in February 1972, Kerala Industrial and Technical Consultancy Organisation received a total of 655 enquiries, 587 from entrepreneurs and 68 from financial institutions for appraisal. Of the 587 enquiries received from the entrepreneurs, 117 materialised into project ideas. It has completed reports on 37 projects involving investments of Rs 7.7 crores and having an employment potential of 2729 persons. Fifty five schemes were dropped for lack of interest by entrepreneurs or for techno-economic reasons. Of the 68 schemes for appraisal received from the financial institutions, 49 schemes involving investments of Rs 15.9

TABLE IV

State-wise Distribution of Financial Assistance Sanctioned by the Unit Trust of India (UTI) and the Life Insurance Corporation of India (LIC)

(Rs lakhs)

State	UTI as on 31-12-1974			LIC as on 31-3-1974		
	Other than Backward Districts	Backward Districts	Total	Other than Backward Districts	Backward Districts	Total
1. Andhra Pradesh	190.80	10.00	200.80	75.00	726.00	801.00
2. Assam	15.50	—	15.50	100.00	720.00	820.00
3. Bihar	707.96	—	707.96	—	2271.00	2271.00
4. Gujarat	1195.77	20.00	1215.77	1050.00	2507.00	3557.00
5. Haryana	87.50	—	87.50	—	70.00	70.00
6. Himachal Pradesh	—	0.50	0.50	—	5.00	5.00
7. Jammu & Kashmir	—	5.00	5.00	—	—	—
8. Karnataka	532.31	278.08	810.39	511.00	657.00	1168.00
9. Kerala	103.53	37.66	141.19	2.00	346.00	348.00
10. Madhya Pradesh	101.12	—	101.12	—	324.00	324.00
11. Maharashtra	2706.49	25.00	2731.49	58.00	6574.00	6632.00
12. Orissa	57.50	3.27	60.77	154.00	276.00	430.00
13. Punjab	82.25	—	82.25	—	104.00	104.00
14. Rajasthan	152.50	21.36	173.86	20.00	260.00	280.00
15. Tamil Nadu	879.19	63.50	942.69	305.00	2116.00	2421.00
16. Uttar Pradesh	417.26	20.00	407.26	215.00	1339.00	1554.00
17. West Bengal	1115.85	18.20	1134.05	250.00	3635.00	3885.00
18. Union Territories	269.82	30.91	300.73	110.00	359.00	469.00
Total	8615.35	533.48	9148.83	2850.00	22289.00	25139.00

crores and having employment potential of 3548 persons have been completed and another four proposals were dropped.

During the first 13 months from May 1973 when it was set up upto June, 1974, the North Industrial and Technical Consultancy Organisation Ltd. received as many as 102 enquiries of which 64 cases were from private entrepreneurs and the remaining from govt./public sector bodies. So far, 35 cases involving investments of Rs 72.8 crores have materialised into definite assignments under different categories. The completed assignments involve a total capital outlay of Rs 55.4 crores with an employment potential of nearly 7000 persons.

The Bihar Industrial and Technical Consultancy Organisation was set up in June, 1974.

Feasibility Studies

The financial institutions have so far commissioned feasibility studies for 17 different projects in the states/union territories of Arunachal Pradesh, Assam, Bihar, Meghalaya, Orissa and Tripura. These reports are prepared with a view to eliciting entrepreneurial interest in the projects identified in the survey reports mentioned above to encourage state level institutions to initiate action in development of entreprenurial managerial talents.

Entrepreneurial Talents

In order to encourage development of entrepreneurial talents by the state level institutions for promoting industrial projects in backward areas, the IDBI has taken initiative in circulating details of the training programmes for new entrepreneurs conducted by the state level institutions in Gujarat. This has evoked considerable interest in inter-institutional groups set up in different states.

The Groups in Kerals and Andhra Pradesh hav[e al]ready initiated program[mes] in this regard while si[x of] these Groups viz., thos[e of] Bihar, Himachal Prad[esh,] Orissa, Punjab, UP and [West] Bengal have appointed groups/sub-committees to [for]mulate schemes for trai[ning] of entrepreneurs in their [res]pective States.

Thus it will be ap[pa]rent that an all-round ef[fort] is being made by the finan[cial] institutions to evolve a me[an]ingful industrial strat[egy] which would ensure the gro[wth] of balanced regional devel[op]ment and new entrepreneu[rial] talents and development [of] indigenous industrial tech[nolo]logy

Guidelines for fresh share capital issue

UNDER THE Capital Issues (Control) Act, 1947 all companies whose issue of share capital is not specifically excluded by the Capital Issues (Exemption) Order, 1969, are required to obtain the approval of the Controller of Capital Issues in the form of a letter of acknowledgement or a consent. The guidelines for the examination of issue of share capital other than Bonus Shares are indicated below for the guidance of such companies:

All applications should be submitted to the Controller of Capital Issues in the prescribed form duly accompanied by a treasury challan for fees payable under the Act.

The applications should be accompanied by a true copy of the Industrial Licence, wherever necessary, or registration with the Director General, Technical Development, for the project.

A realistic estimate of the project cost will be furnished together with the precise scheme of finance. In respect of financial assistance from the financial institutions, copies of their letters indicating their participation in the financing of the capital cost should be forwarded.

Where issue of substantial amount is proposed to be made or where listing is a requirement of the financial institutions providing assistance the company should have the shares issued to the public and listed in one or more recognised stock exchanges except in case of listed company where it is proposed to issue as "right shares".

Where the issue of equity capital involves an offer for subscription by the public for the first time, the value of equity capital subscribed privately by the promoters, directors and their friends shall not be less than fifteen per cent of the total issued equity capital, if it does not exceed one crore of rupees, 12½ per cent, if it does not exceed two crores of rupees, and 10 per cent, if it is in excess of two crores of rupees.

Ordinarily issue of shares for consideration other than cash is not permitted. In exceptional cases where the parties desire that shares should be allowed in lieu of the assets transferred, detailed information in regard to the valuation of such assets together with the copies of necessary valuation reports be furnished.

In case of companies registered under the MRTP Act they are advised to ensure that the requisite approval under the MRTP Act has been obtained before making an application to the Controller of Capital Issues.

To finance the capital cost of the project, the capital structure should be such that an equity debt ratio of 1:2 is considered fair and reasonable. In case of capital intensive industries, a higher equity debt ratio can be considered on merits of each case.

An equity preference ratio of 3:1 is normally permitted.

The rate of dividend on preference shares should be within the ceiling as notified by the Controller of Capital Issues from time to time.

No premium is allowed in respect of a new company making its first issue of shares.

There should be satisfactory underwriting arrangements in respect of new issues and the names of underwriters together with the amounts under written should be indicated in the a[pp]lication, except in case [of] "Right Shares".

No company is expected [to] make an allotment of shares [to] non-residents except with [the] prior approval in writing [of] the government of India or the Reserve Bank of India a[nd] a copy of such approval shou[ld] be attached to the applicati[on] if the shares are proposed to [be] allotted to non-residents.

If any firm allotment is i[n]tended to be given in favour [of] the public financial institutio[ns] the particulars thereof shou[ld] be furnished in the applic[a]tion.

Any arrangement reached b[y] the company or commitme[nt] made prior to the isue of th[e] capital which has a significa[nt] impact on the capital, cost esti[]mate or the capital structure [of] the company, the same may b[e] disclosed along with the appl[i]cation.

A certificate duly signed b[y] the secretary and/or directo[r] of the company stating that th[e] information furnished is com[]plete and correct be annexe[d] to the application. Similarl[y] a certificate from the auditor[s] of the company stating that th[e] information in the applicatio[n] has been verified by them and i[s] found to be true and correct t[o] the best of their knowledg[e] and information, be furnishe[d]

eastern
ECONOMIST

MAY 30, 1975

he yawning gap

THE TRADE gap — excess of imports over exports—in 1974-75 turned out to be disconcerting. With exports at Rs 3,253 crores recording a rise of 26 per cent over the preceding year and an increase of ut 100 per cent in three years, a sense of complacency prevailed in this country. Now the revised bill of imports had placed the total at Rs 4,348 crores, the unfavour- balance of trade at Rs 1,095 crores had reached an unprecedented level and caused e concern. While it would be difficult to scale down the volume of imports of raw erials in the current year if the productive machinery was not to be hurt, the emphasis necessarily shift to such measures as would accelerate the pace of exports. The e of increase in exports will have to be speeded up by 10 to 12 per cent in real ms as suggested by the prime minister at the recent conference of the All-India nufacturers' Organisation.

The sharp rise in exports registered in 1974-75 was partly due to the commodity om in the world markets which had inflated our export earnings substantially. But booming condition in the commodity markets was already a thing of the past. Sur exports last year had made a sizeable contribution to export earnings — more than 400 crores — but the sharp fall in its price was likely to reduce its share this year. early six months ago, the price of sugar in London was quoted at £650 a ton but rently it dropped to less than £200 a ton. Even with increased exports, it would not be sy even to maintain the export earnings from sugar.

In a way, the break in commodity prices is also likely to assist this country in ducing the value of imports. In the case of foodgrains, even if the level of imports is aintained at the preceding year's level, the cost may be lower by Rs 100 crores. The ut in fertilizers in this country will demand a reduction in imports both in volume and lue terms. The position in regard to steel availability being easy, the cost of steel imorts is also expected to be lower. The cost of imports of non-ferrous metals is expected be reduced because of the fall in their prices.

The recessionary trends all over the world have affected order books of most of the xporters. A number of manufacturing industries are currently feeling the impact of his fall in demand, the cotton textile industry being one of the worst hit by it. The export of cotton piecegoods in 1974-75 was reported to have been halved in relation to 973-74 and the exporters are currently fighting hard to hold on to their traditional narkets. Perhaps the industry will not find it possible to retain its share of the world market unless certain liberal measures were initiated by the government.

For a long time the industry had pleaded that it could certainly pursue an aggressive policy in regard to exports provided it was given positive assistance in regard to inputs. The industry had the capacity to compete in the world markets if the raw materials were made available to it at international prices. For example, in the case of imported cotton, the industry was placed in a disadvantageous position. Even after the import duty on cotton had been reduced from 40 per cent to 15 per cent, the exporters of cotton textiles from this country could not compete with Pakistani exporters who had access to cheaper cotton. How could the cotton textile industry improve its exports if it was asked to operate with fetters around its feet?

In our scheme for diversification of exports, great stress had been laid on engineering goods but here also, the industry had not received a fair deal. The recommendations of the Sondhi Committee had still to be considered by the government, leave alone their acceptance or implementation. This committee had recommended that the growth of the engineering industry should be automatic within the framework of a few guidelines. Also, the committee had suggested that the limits imposed on the large business houses should be done away with in so far as exports were concerned. Undoubtedly, the

engineering industries offered considerable potential in export earnings provided they were allowed to operate freely. It will serve no purpose to sleep over the suggestions of the Sondhi Committee. On the other hand, speedy action will provide a stimulus to exports.

A close liaison between the central ministries of Commerce and Finance was a pre-condition for the success of our export efforts because many of the concessions sought by the exporting industries impinged upon the revenue receipts of the ministry of Finance. For instance, it was the case of the Commerce ministry that the export-oriented industrial units should be treated on a different footing i.e. the tax measures which applied to the units manufacturing for the home market, should not apply with the same severity to the exporting units. There was nothing revolutionary about this recommendation. In fact, many countries had adopted this course with highly beneficial results in terms of export earnings. It is time that the ministry of Finance undertakes a close examination of this proposal so that the exporting units may be able to show their competence by increasing the export earnings.

The attempts of the export industries to increase their contribution to export earnings had been thwarted by a stringent credit policy. The exporters needed credit on competitive rates and in time in order to discharge their obligations adequately. Recently, Dr B.V. Bhoota, chairman of the Engineering Export Promotion Council had complained that the credit squeeze had given a setback to the engineering industries in their export effort. Surely, the paucity of credit will continue to hamper the efforts of the engineering industries in this regard.

The 11-member Soviet trade delegation which arrived in the capital recently is expected to pave the way for increased trade with the USSR. Undoubtedly the trade between our country and the USSR had great scope for further expansion and the negotiations with the delegation were expected to result in increased cooperation, but the ministry of Commerce will have to devote increased attention to our exports to the East European Community (EEC) and the USA where the recessionary tendencies were likely to hurt our exports increasingly. The Commercial Cooperation Agreement between our country and the EEC was hailed as a big achievement more than a year ago though the expected spurt in exports — in volume, not value— had yet to be seen. Recently, Mr Francois Xavier Ortoli, President of the EEC had prolonged discussions with the government of India at various levels. It was the view of Mr Ortoli that there was a communications gap at the commer level between the two sides. He fur said that European businessmen were aware fully about the commodities and dustrial products which this country co offer. Surely, it was for the ministry Commerce to initiate measures for bridging of the communication gap. I haps frequent meetings between offic and businessmen of this country and EEC could help in strengthening the tr bonds.

Money, the villain?

The respite from acute inflation after the third week of September last appears to be proving short-lived. The wholesale prices index (Base:1961-62=100), which had risen to 330.4 during the week ending September 21, drifted steadily to 305.9 by April 5, but in the subsequent three weeks it went up again to 311.1. Although this uptrend has not been as pronounced as it was before September, when the monthly rise in prices was of the order of 2.5-3 per cent, yet it should be a cause for anxiety not only to the consumer but also to the government which has been according for nearly a year the highest priority to containing the prices spiral.

Only recently the government supplemented its last year's package of anti-inflationary measures by maintaining the procurement prices for rabi grains (of course, with some incentives aggregating to Rs 6/7 per quintal), effecting a good deal of liberalisation in the import policy for stepping up production of mass consumption items (besides the output for exports), and continuing rigorous restrictions on bank credit. Further, it is withholding the payment of even those instalments of dearness allowance to its employees which had fallen due by February, pending the conclusion of negotiation with their representatives on the revision of wages in terms of the recommendation of the third Pay Commission, that the whole question of wages and DA should be reviewed after the consumer prices index crossed the limit of 272 points up to which I had been linked to rise in this index.

The reemergence of inflationary pr sures in our economy, it is encouraging note, has spurred consultations among t higher echelons of government and ready an effort has been made at a hi level meeting for identifying the facto responsible for the above phenomeno No consensus, however, appears to ha emerged on the issue so far. Son official circles, of course, attribute tl current rise in prices to the onset of tl lean season. But this does not seem be the primary cause for the revers of the price trend.

The two major influences on our pric line, apart from the impact of global in flation, since the turn of the current de cade have been a disproportionate in crease in the money supply with the pub lic *vis-a-vis* the growth in national incom and the difficulties on the food front. T some extent, shortages of consumer item too have been contributing to rise i prices.

The expansion in money supply started far outstripping the growth in national income in 1969-70. In that year the increase in money supply, over the previous year, was 10.8 per cent as against 5.7 per cent growth in national income. In the subsequent four years, money supply expanded by 11.2, 13.1, 15.9 and 15.3 per cent, while the national income grew by only 4.9, 1.4, 0.9 and 3.1 per cent. Last year, thanks to the anti-inflationary drive of the government, monetary expansion was restricted to just 5.8 per cent. Along with some improvement in production, both on the agricultural and industrial fronts, this

a very salutary effect on the price l after the third week of September. he beginning of April this year, the e level was just about 7.5 per cent her than a year ago. At one time in middle of last year, the prevailing es were nearly 32 per cent higher than year earlier.

he production of foodgrains started lining in 1971-72. Although it picked slightly in 1973-74, it still could not tch the 1970-71 level when the country l a record output of nearly 108.8 mil- n tonnes. Due to the setbacks to pro- ction and lack of adequate imports, the nfortable approximately 10 million nnes buffer stock built up by the end of 1970-71 agricultural year was nearly pleted by the close of 1973-74. The out- t was again affected last year and des- e fairly large imports, the food position mained quite difficult. Procurement ices had to be raised substantially to ild up governmental stocks. But even en free marketing of a part of the har- st had to be allowed. The release ices from government stocks for distri- ution of grains through ration and fair- rice shops were raised. The quantum vailable from this source being insuffi- ent, consumers had to supplement it by urchases from the free market at 75/100 er cent premium. This had a chain re- ction on the prices of other consumer oods which too were in short supply.

Added to these pressures on the price ne was the cost-push impact of the im- orted industrial raw materials, oil and ertilizers. The high prices of imported oodgrains too cast a heavy burden on he exchequer in the form of subsidy to e provided by it. Deficit financing, herefore, had to be resorted to at a scale nuch higher than envisaged.

The second half of the last financial year, of course, witnessed a mitigation of all the above pressures. Inflation in most countries from where sizeable imports (excluding oil) were effected came to be controlled to some extent. As a result of a fairly good last kharif crop and the expectations of a bumper rabi harvest, following wholesome winter rains, helped in easing the food situation. The supply of mass consumption goods too increased significantly with a modest improvement in power generation, transport facilities and labour situation. Money supply, instead of expanding, was actually reduced between July 12, 1974, and December 27, 1974, from Rs 11,469 crores to Rs 11,065 crores. Thereafter, it went up again to Rs 11,365 crores (by February 28) but still it was below the level attained on July 12, 1974.

The uptrend in prices last month cannot be attributed to any significant extent to global inflation or the difficulties on the food front. The case with the third factor — money supply with the public — however, is different. There has again been a fairly sharp increase in money supply after February 28. By the end of March, money supply had expanded to Rs 11,501 crores. By April 11 it had grown to as much as Rs 11,879 crores. In the subsequent fortnight, it, of course, declined to Rs 11,806 crores. In just eight weeks, thus, there has been an expansion of as much as Rs 521 crores in money supply.

More significantly, however, the net bank credit to the government sector has tended to grow at a very fast rate during April this year. Between March 28 and April 25, it went up from Rs 9,427 crores to as much as Rs 10.305 crores. During the corresponding period last year, it had grown from Rs 8,695 crores to just Rs 8,975 crores. In this period a year earlier also, the increase in net bank credit to the government sector had been only moderate —from Rs 7,708 crores to Rs 8,113 crores. The bank credit to the commercial sector during the above period this year has shown an increase from Rs 10,687 crores to Rs 10,862 crores, whereas during the corresponding period last year the increase was from Rs 9,068 crores to Rs 9,347 crores. A year earlier, bank credit to the commercial sector had declined from Rs 2,336 crores to Rs 2,258 crores. The impact of bank credit on monetary expansion, incidentally, has tended to increase in the recent years. The ratio of currency to the total money supply has shown a steady decline since 1961-62 when it used to be 72.2: 100. This ratio fell to 62.1: 100 in the three years to 1970-71, 58.5: 100 in the three years to 1973-74 and further to just about 56: 100 during the week ending April 25, 1975.

It is not yet clear how far the marked increase in the net bank credit to the government sector has been caused by the procurement operations regarding the rabi crop. There is, however, a clear indication that the loans and advances to state governments have increased between March 28 and April 18 from Rs 260.32 crores to Rs 447.55 crores. Thereafter,

Eastern Economist 30 Years Ago

JUNE 1, 1945

The plan for the establishment of trunk air route services which had been accepted by the Policy Committee on Posts and Aviation has now been approved by the Government of India. The total mileage of the air routes planned for comes to 11,000 but it emphasized that the present plan is for the initial post-war period and it does not mean that planning for the development of external services or the extension of the internal air mileage will not be undertaken. Indeed, the question of external services is now under examination and Government are confident that the existence of trunk air routes will stimulate the development of a considerable number of feeder services by local and private enterprise. The preliminaries for the setting up of these services have also been worked out and plans for the construction of the necessary aerodromes and connected buildings and for the organization of the air routes completed, as well as the plans for the necessary works organization, the telecommunications organization, the headquarters orgnanization and the requisite training institutions to put these plans through. The government of India has also decided as to which would operate these air services. The Government of India will take some financial interest in selected cases, but even here it will not seek a controlling interest in the companies although it will appoint a Director on the Board. In specific instances the government may at its discretion also render financial assistance to the operating companies, but such assistance will always be under certain conditions.

there has been a small decline of about six crores of rupees in these loans and advances. Compared to the corresponding period last year, the increase in loans and advances to state governments has been of the order of slightly over Rs 200 crores.

Monetary pressures, thus, appear to have again started exerting a good deal of pressure on the priceline. The delayed impact of this year's taxation measures of the central and state governments can be another factor contributing to the reemergence of inflationary tendencies in our economy.

It is difficult to say how far the reemergence of inflationary pressures can be controlled in the coming months. Much will depend on the success with which monetary expansion can be contained without hurting production, the outcome of the procurement operations regarding the rabi grains, the outlook for the next kharif crop, the food import programme and the firmness with which the government is able to tackle the crucial issues of DA and wage revision of its employees and the claims for fairly steep increases in the prices of coal and several other important commodities. An increase in coal prices by about Rs 22 per tonne asked for by the nationalised industry alone will have a very wide-ranging cost-push impact on the economy.

available so long as aggregate credit st above Rs 450 crores. It has been rou reckoned that the net growth in proc ment advances will be Rs 200 crores ing the slack season. If the target of million tonnes for procurement of wh in May-July is fulfilled and imp also are 1.5 million tonnes during same period, the additions to bu stocks may be of the order of four mill tonnes allowing for sales through public distribution system of around th million tonnes in three months.

As it is unlikely that there will be i ports of more than two million tonnes the later half of the slack season, the increase in buffer stocks by October m be only of the order of two million tonn requiring additional procurement cre of Rs 200 crores. However, banks w have to increase their borrowings sizab immediately as slack season trends ha not emerged and large funds have be immobilised in heavier stocks of suga cloth, yarn and other items. An intens fication of procurement operations ca take place only with liberal lending by th Reserve Bank. It is of course difficult t visualise at this stage what will be the suc cess attending procurement purchases a arrivals into marketing centres in surplu areas have not been on the anticipated scale. While assistance to the Food Cor poration and other agencies can be pro vided so long as there is no change in the method of refinancing procurement operations, serious difficulties may be encountered if it is decided after October that food credit also should form part of normal transaction of business by banks and refinance should be only in the nature of ways and means adjustments. If this is the intention of the monetary authorities, full refinance may be made available only after a limit of Rs 500 crores or even a higher figure.

The direction that member banks should use only 63/64 per cent of fresh deposits for expanding credits in 1975-76 and that the credit-deposit ratio should be gradually brought down would compel the adoption of an extremely careful policy by the lending institutions when using funds in the current slack season. With no prospect of any release of resources immobilised in food stocks and

Curbs to continue

WITH THE announcement of the credit policy for 1975-76 by the Reserve Bank recently, an attempt is being made to indicate in advance that there will be no major relaxation of curbs for the 1975-76 busy season and the scheduled commercial banks will have to formulate definite plans for utilising their own resources in a manner that involves minimal use by them of the assistance under the Bill Market Scheme and against refinance facilities. The earlier procedure of spelling out directives for the slack and busy seasons separately is now being discarded as it is felt that there will be indirect compulsion to adopt a cautious policy when extending fresh credit during the slack season. If the need of constituents in November-April 1976 are to be met without difficulty, when stipulating that the incremental credit expansion in the 12 months ending April 1976 should be limited to 63-64 per cent of fresh deposits, the banking system will obviously have to pursue a tight-fisted policy upto October next.

This will be because the bulk of credit expansion takes place in the busy season and without an earlier husbanding of resources there will have to be frequent recourse to discretionary accommodation from the Reserve Bank which will be costly and difficult to obtain.

The expansion of credit, during the 12 months ended April 1975 was Rs 1,022 crores (excluding bills discounted by the Reserve Bank) out of which the growth in advances during the last busy season accounted for Rs 931 crores. It will, therefore, be seen that the increase in advances in May-October last year was only Rs 91 crores. The requirements of all classes of borrowers would be met without borrowing heavily under Bill Market Scheme as procurement credit in excess of Rs 450 crores could be extended with the use of 100 per cent refinance provided by the central banking institution. As credit under this head was Rs 118 crores in excess of Rs 480 crores, it was possible to augment resources to this extent and avoid payment of penal rates which would have been otherwise necessary.

It has been indicated that there will be no change in the cash reserve ratio, statutory liquidity ratio and net liquidity ratio. It has also been stated that there should be a reduction in the outstanding amount under the Bill Market Scheme to 10 per cent of bills discounted and purchased at the end of September last year. By the beginning of the next busy season, member banks have thus an obligation to reduce their borrowings under this head by over Rs 64 crores. They need not be bothered about the financing of procurement operations as full refinance will be

larger needs of the sugar and textile ustries, the developments in the coming onths are bound to be entirely different om those in the last slack season. In ay-October 1974, deposits of member nks rose by Rs 873 crores, while advances increased by Rs 91 crores. It was us possible to reduce borrowings from e central banking institution to the extent of Rs 270 crores. It was also feasible effect sizable additions to the investent portfolio by Rs 326 crores after gmenting cash balances by Rs 101 ores. There was also a small increase Rs 38 crores in money at call.

With favourable developments in these onths and continued restraint when ranting fresh limits to borrowers, the pecial requirements of last busy season ould be met without difficulty even with a g rise in procurement credit which necestated the use of owned funds to some xtent until a limit of Rs 450 crores was eached. Thus in six months ending April 5, 1975, advances rose by Rs 931 crores gainst the growth in deposits of Rs 755 rores. It was necessary to increase orrowings from the Reserve Bank o the extent of Rs 183 crores and tilise cash balances to the time of Rs 86 crores. Money at call, of ourse, was higher by Rs 52 crores. As the statutory obligations were observed, investments had to be raised by Rs 98 crores. It must, however, be pointed ut that the rise under this head was somewhat unusual in character there being big addition in April which smacked of special adjustments.

What then are the prospects for the current slack season and will not serious difficulties be experienced in the next busy season if there is no reduction in the cash reserve ratio or special assistance is not provided for financing buffer stocks? It can be expected that the growth in deposits in May-October 1975 will be easily Rs 900 crores. But, it is likely that non-food credit will rise by Rs 300 crores and food credit by an extra Rs 200 crores in the same period. There will be a balance of only Rs 400 crores left for meeting statutory obligations and building up strength for meeting commitments in the next season. Without availing fully of the refinance facilities for procurement purposes it will not be possible to invest up to to Rs 350 crores in government and approved securities. As the higher cash reserve ratio of four per cent has also to be maintained with the RBI calling for the immobilisation of Rs 36 crores out of new deposits, only a balance of Rs 14 crores will be left for reducing borrowings from the RBI. Since the outstanding amount under the Bill Market Scheme too has to be reduced by Rs 64 crores by the end of October next, borrowings of member banks from the Reserve Bank are likely to be around the level of Rs 246 crores on April 25, 1975. At the commencement of last busy season, these stood only at Rs 63 crores.

The 1975-76 busy season is thus likely to commence under difficult circumstances for the banking system. If the carry-over of sugar stocks into the next crushing season is higher by four lakh tonnes at 1.25 million tonnes and there is a revival in activities in other directions, the monetary authorities will have to extend liberal discretionary accommodation. The pressure on banks can ease only if there is a reduction in stocks of fertilisers, non ferrous metals and steel. A release of funds of the order of Rs 300 crores with careful regulation of imports in the later half of 1975-76 can make all the difference to the money market and obviate the need for creating credit by the Reserve Bank for overcoming the difficulties of member banks.

It must be recognised that as much as Rs 400 crores of bank funds are locked up in food stocks while excessive imports of fertilisers, intermediate chemicals, non-ferrous metals and steel have immobilised another Rs 500 crores. As has been repeatedly pointed out on earlier occasions, but for a reduction in the inventories of industries in the private sector in some directions, the bulge in stocks of food-grains and other items held by government trading corporations and the larger requirements of the sugar and textile industries would have resulted in an unmanageable situation by now. Unless the peculiar strains arising out of these factors are recognised and the desired adjustments are effected without delay, the new credit policy may result in the emergence of a situation in the next busy season which cannot be easiy tackled. The RBI should therefore maintain a careful watch over new developments and advise the government to regulate imports or provide special credit for specific purposes.

FROM THE CAPITAL' CORRIDOR

R. C. Ummat

Fertilizer Glut • Steel Matters

THE distribution policy as well as this year's import programme for fertilizers are likely to undergo substantial changes in the near future.

The union ministry of Petroleum and Chemicals is stated to have proposed an expeditious review of the import programme in view of the large accumulation of stocks not only with the fertilizer plants but also at the trade level. According to some sources, the unsold stocks are nearing half a million tonnes.

Unless the accumulated stocks are cleared expeditiously, it is feared that the manufacturers will have to cut back production. Their cash flow has been affected very adversely. Many producers, it is learnt, are finding it difficult to service the stocks with them. A change in the distribution policy is envisaged for quickly clearing of the accumulated stocks.

accumulated stocks

Stocks have got accumulated primarily due to two reasons: (i) high prices of fertilizers; and (ii) unrealistic (in retrospect!) large imports last year. Adverse weather conditions in some parts of the country at the sowing times last year and credit squeeze have been the additional factors contributing to the piling up of stocks.

A review of this year's import programme has been suggested not only in view of the large stocks lying unsold but also owing to the expectations that the domestic output this year will register a marked improvement over the last year's level.

During 1974-75, the domestic output slightly exceeded 11.85 lakh tonnes of nitrogen and 3.25 lakh tonnes P_2O_5. Although, it considerably fell short of the targets set for the year—15 lakh tonnes of nitrogen and four lakh tonnes of P_2O_5—it exceeded the 1973-74 output by about 1.4 lakh tonnes of nitrogen and 10,000 tonnes of P_2O_5.

production affected

Production, particularly of nitrogenous fertilizers, last year was very adversely affected due to various reasons. The Madras, Kota, Goa and Visakhapatnam plants suffered a series of failures. Inadequate power supply and repeated power failures and voltage fluctuations affected production at Nangal, Kanpur, Durgapur, Gorakhpur and Trombay. The Cochin and Durgapur units could not stabilise their production due to technological problems. Inadequacy of the right quality of raw materials and labour problems affected the output of the Sindri and FACT plants. The loss of production on account of these problems and constraints, according to the 1974-75 report of the ministry of Petroleum and Chemicals, is estimated around 3.32 lakh tonnes of nitrogen.

It may not be possible to completely obviate the above loss of production this year as not only Durgapur and Cochin projects may not be able to fully overcome their technological defects but also some constraints on the production of some other projects arising out of power supply and feedstocks may remain. Yet a substantial increase in the overall production can legitimately be expected this year for two reasons. Several of the existing plants, including the recently commissioned Kalol unit, should show a marked improvement in their working. Then, installed capacity this year is expected go up from 21.96 lakh tonnes of nitr gen and 6.87 lakh tonnes of P_2O_5 to nea 27.54 lakh tonnes of nitrogen and 7. lakh tonnes of P_2O_5 through the co missioning of the Barauni, Namrup e pansion, Sindri rationalisation, Gorak pur expansion, Tuticorin and Mangalo projects.

The ministry of Petroleum and Chem cals is making a realistic assessment the stocks lying unsold and the like production, plant-wise, this year. Th decision in regard to imports will be take in that light. According to some circle if there is no deliberate cut in productio by any plant and the power situation im proves as expected, the overall outpu should cross 15.5 lakh tonnnes of nitro gen and four lakh tonnes of P_2O_5. Effor are being made to identify the contraint on production, plant-wise, so that the can be overcome to the extent possible.

curtailed imports

Imports of fertilizers may be curtaile drastically in the near future. Not onl this will bring down the outgo of foreig exchange on the physical quantum of fer tilizer imports, but also the world price of this essential farm input have gon down recently by about 50 per cent. Th full impact of the fall in world prices however, will be felt on the next year' import programme, as a substantial por tion of this year's imports had been ar ranged at fairly higher prices.

With a view to stepping up the consumption of fertilizers in the interest of raising farm output, special care will have to be taken this year to make the commodity available to the farmer at the right time. With large stocks lying unsold, there cannot be any excuse for the

ners not being supplied their re-
ements expeditiously whenever needed. Unscrupulous practices in marketing, erever they exist, have to be curbed 1 a heavy hand.

* *

. process developed and got patented ently by the National Metallurgical boratory (NML) Jamshedpur, for the nufacture of steel on small scale from ic pig iron can be expected to result in ;ood deal of dispersal of steel-making pacity in the country. Already this purse has been served to some extent by establishment of what are known as "mini" steel plants which use electric rnaces for producing steel from scrap. e licensing of these mini steel plants d been stopped about 18 months ago in ew of the growing scarcity of scrap. The its based on the NML process can rry further the task earlier envisaged to performed by electric furnaces.

The NML process needs a cupola in hich pig iron is melted. The molten pig on is then charged into a tilting type isic lined-converter in which arrangeents are made for blowing air from a de. The necessary fluxes are then added nd slag is taken out. Alter the desired hemical composition of steel is achieved, ne molten metal is poured into ingots r castings. The essential raw materials or such a plant are pig iron, coke, limeone, burnt lime and de-oxidizers like erro-manganese and ferro-silicon. One onverter of two tonne charge, with another stand-by, can produce 40 tonnes of nolten steel per day. Over the year, the utput can be 10,000 tonnes.

apital investment

The total capital investment involved in uch a plant is estimated around Rs 70 akhs, of which the cost of plant and equipment is approximately Rs 34 lakhs. If the process is adopted by the existing grey iron foundries, the capital equipment cost of the conversion of these foundries into mini steel-making units would be even lower. All the equipment required can be manufactured indigenously.

Already one such plant has been approved for establishment. Two other proposals are understood to be under consideration by the government. The units can be set up both in the private and public sectors.

Besides using pig iron, instead of scrap, the NML process is very much more advantageous than the manufacture of steel from scrap through electric furnaces because it requires to produce one tonne of steel just about one per cent (7 KWH) of the amount of electricity needed by the electric furnaces (700 KWH).

The NML process also dispenses with the use of oxygen.

Since the process is available from indigenous sources and also no equipment need be imported, foreign collaborations are not to be allowed for the establishment of this new type of small steel-making units.

* *

The splitting of Hindustan Steel Limited (HSL) into four units, namely, the Bhilai steelworks, the Rourkela steel plant, a sales organisation and the residuary company comprising the Durgapur steelworks and the alloy steel plant there, as reported last week, it is now learnt, will involve some writing off of the accumulated losses of this giant public sector corporation.

The accumulated losses of HSL are said to be of the order of nearly Rs 300 crores. The Bhilai unit does not have any accumulated losses; in fact, it has been making sizeable profits for several years now. The accumulated losses of the Rourkela steel plant at the end of the last financial year will also be just marginal, if not completely wiped out. The writing off of the accumulated loss of the two units at Durgapur is proposed to be done to enable them to start on a clean slate which, it is felt, would enthuse workers to contribute their best. If this is not done, the two units at Durgapur may take years to wipe of their past losses. This will hardly be conducive to building up the morale of workers.

With the breaking up of HSL into four units, the designing task being looked after by the MECON and the civil construction work by Hindustan Steelworks Construction Ltd.the Steel Authority of India (SAIL) will deal with the overall policy and coordination matters. Its primary task will be planning for the industry. It will, however, continue to afford assistance to its various subsidiaries for overcoming their difficulties. It is proposed to maintain only a minimum staff of not more than about 200 persons in all at the SAIL headquarters. Except policy and coordination, all other matters will be dealt with by the plant managements themselves.

The present perspective 10-year plan for the expansion of the steel industry, it is felt, still holds good. All efforts will be made to accomplish the task envisaged under this plan.

Meanwhile, the provisional results reveal that HSL earned a profit of Rs 40 crores during the last financial year. The largest contribution to this overall profit has been made by Bhilai—nearly Rs 36 crores. The Rourkela plant has been able to turn the corner; it is estimated to have thrown up a surplus of Rs 1.7 crores. The only losing unit has been the Durgapur plant which is said to have incurred a loss of Rs 15 crores. The overall profit of Rs 40 crores has been arrived at after wiping out the Rs 15 crores loss of Durgapur steelworks.

sizeable profit

The major factor responsible for the sizeable overall profit last year has been the marked increase in production—nearly half a million tonnes more than the previous year. There has also been a considerable improvement in the operational efficiencies of particularly the Rourkela and Bhilai steelworks. The reduction in the coke rate at these two plants alone is said to have resulted in a saving of nearly Rs 2.5 crores. The cost of movement of goods from the various steelworks too has been reduced significantly.

The Steel Authority, it is further learnt, has approached the Railway Board for a revision in the prices of the wheel sets manufactured at the Durgapur steelworks. The present prices, it has been stressed, do not cover even the direct production costs of these sets.

POINTS OF VIEW

Role of small savings in resource mobilisation

Kiran Barman

SMALL SAVINGS as a source of borrowing for the government is of special significance particularly in growth conscious, inflation sensitive economy. It is the safest form of governmental borrowing as it taps the genuine savings of the people and provides the government with the much needed capital without aggravating the inflationary situation in the economy. The greater the contribution of the small savings to the government's borrowing, the better it is for the economy to maintain monetary stability. However, the contribution of the small savings has always been very small even in developed countries.

The greatest limitation to the expansion of small savings in an underdeveloped country is the inability of the people to save. However, the policy of the government of India as in other countries, has all along been one of promoting small savings to augment the genuine savings of the people. In their budget speeches, the successive Finance ministers have emphasised the importance of small savings time and again. The Finance minister of India said in the 1953-54 budget speech, "As I have more than once emphasised, we shall have to turn increasingly to the small saver for providing the finance required for development. We have endeavoured to get the states more actively interested in spreading the movement by giving them a financial interest in the proceeds from small savings."[1]

habit of thrift

In the 1957-58 budget white paper it was stated that, "the savings movement is not merely a mechanism for government's ways and means, not merely a planned measure for the fulfilment of certain specific needs, but it seeks to create the habit of thrift through self-help which is of lasting value to the individual and to the nation."[2] Again in 1960, the Finance minister emphasising the importance of small savings, stated in the budget speech that "the small savings movement is more than a routine device for mobilising savings. It has a psychological appeal in providing an opportunity for the ordinary man and woman to participate in the national effort for development."

The instruments of small savings in India are the Post Office Savings Bank Deposit, Cumulative Time Deposit Scheme, 12-year National Defence Certificates, 10 year Defence Deposit Certificates, Post Office Time Deposits, Post Office Recurring Deposits, Treasury Savings Deposit Certificates, National Savings Certificates (First Issue), 7-Year National Savings Certificates (II to V issues) and Fixed Deposit Scheme.

Realising the importance of small savings, the government of India has so far taken a number of promotional measures to poplarise these schemes. Given below are a few significant measures taken by the government:

extra-department branches

With a view to extending savings facilities to rural areas, it was decided in 1951 to appoint extra departmental postmasters of branch post offices in rural areas and cooperative societies as authorised agents for the sale of National Savings Certificates on commission. Uptil now 16,000 extra-departmental branch post masters were trained to tap rural investments. Moreover, the existing scheme of prizes to branch post masters was made more attractive by increasing the amount of prizes.

Interest earned on Post Office Savings Bank Account is not liable to income-tax. Interest on savings certificates such as 7-Year National Savings Certificates (II and III issues) are also free of income-tax, and the interest earned on Post Office Recurring Deposit Scheme qualifies for exemption from income-tax upto a maximum of Rs 3,000 in a year, including interest on other approved deposits.

In order to provide greater opportunities for keeping deposits with the post office savings bank, the maximum amount of deposit which a single holder may hold in post office savings bank account l been raised from time to time. In Ap 1952, the maximum amount of depo which a single holder may hold in p office savings bank account was rais from Rs 10,000 to Rs 15,000 and that joint accounts from Rs20,000 to Rs30,0 At present the maximum limit of balan in the case of individual account is 53,000 and Rs 1,00,000[3] in the case joint account.

states' efforts

Measures have been taken to indu the states to intensify their efforts in t small savings drive. At the Finan ministers' conference held in Octob 1962, it was decided that collections each state in excess of the target fixed f it would be made available to the state the shape of loans for its development pr jects, subject to the overall limitation th the centre first retains Rs 45 crores o of the aggregate all-India collections. T give further incentives to the states, durin 1957-58, the net collections from sma savings in each state were pooled wi the market loans of that state and t total amount was shared between the ce tre and the states in the ratio of 1:2. Th formula was liberalised during 1958-5 according to which the states can reta the entire market borrowings and i addition receive two-thirds of the net co lections from small savings in their area Further, in this direction, additional loa will be granted, besides the usual loa of 66-⅔ per cent of the net collection in relation to performance in certain pro portion of net collections to gross collec tions of small savings during a year. Be sides, a cash price of Rs 1,000 was insti tuted for the *Sarpanch* or *Pramuk* securing the highest collections in eac state from 'World Thrift Day'.

Rate of interest on individual an joint accounts has been raised twice du ing the year, once from April 1, 1974 an again from July 23, 1974 on almost a of the small savings media as shown i Table 1.

6. Pay-roll saving scheme and faciliti

withdrawal by cheque and for accept- deposits by cheques are the important cedural improvements made in order promote small savings scheme. The ment of Wages Act has been suitably nded to permit voluntary deductions n the wages at source for investment in ll savings.

en post office savings banks were orted to have been enrolled as sub- mbers of the local clearing houses dur- 1972-73, thus bringing the total num- of post office savings banks admitted clearing houses to 124.

A new scheme of school savings bank led "*Sanchayika*", was launched in ected schools throughout the country, feature of which is that students run eir own savings bank. Besides, a prize centive scheme for holders of post office ving bank accounts has been introduced th effect from December 1, 1973. This heme is intended to encourage deposits d discourage withdrawals. The account olders having a balance of not less than s 200 throughout a financial year will e eligible for participation in draws to e held twice a year. In each draw there ill be 11,116 prizes totalling Rs 2.05 illions.

ationalisation effected

With a view to rationalising the diffe- ent kinds of small savings certificates nd deposit accounts, two new schemes vere introduced and two existing schemes vere withdrawn during the year 1973-74. A 2-year Post Office Time Deposit scheme with taxable interest of 7 per cent[4] was ntroduced from August 1, 1973 and a 7-year National Savings Certificate — V Issue with taxable compound interest of 7.50 per cent from January 1, 1974. An individual or two adults jointly can hold a 2-year Time Deposit Account without any limit on holdings. A 2-year Time Deposit Account can at any time during its currency be converted into a 3-year account. The 7-year National Savings Certificate — V Issue are available in denominations of Rs 10, Rs 50 and Rs 100.

The 5-year Cumulative Time Deposit Scheme offering 4.75 per cent and the 15-year Cumulative Time Deposit Scheme offering 5 per cent were withdrawn from October 1, 1973.

On the organisational side the services of voluntary organisations have been secured to popularise the small savings movement. Non-official agencies have been set up both at the centre and the states to advise the government in regard to small savings movement. In 1959, different advisory bodies were amalgamated and two boards namely National Savings Central Advisory Board and one National Savings State Advisory Board were set up. In October, 1964 a Savings Mobilisation Board was set up which looks after the requirements of publicity and propaganda of the small savings movement. In January 1970, the National Savings Central Advisory Board was reconstituted. It recommended that collections under the Public Provident Fund Scheme should also be included in the net small savings collections for the purpose of grant of loans to state governments. This has been accepted by the central government.

In spite of the various promotional measures taken to increase the contribution of small savings collections under

TABLE I

Interest Rates on Selected Small Savings Media

Small Savings Media	Rate of interest per annum		
	Upto March 31, 1974	From April 1, 1974	From July 23, 1974
1. **Post Office Savings Bank Deposits in :**			
(a) Single and Joint Accounts (b) Provident Fund Accounts (c) Sanchayika Accounts	4.00	5.00	5.00
2. 10-Year Cumulative Time Deposits	4.75	5.25*	6.25*£
3. **Post Office Time Deposits**			
(a) 1-Year	6.00	6.75	8.00†
(b) 2-Year	7.00	7.50	8.50†
(c) 3-Year	7.00	7.50	9.00†
(d) 5-Year	7.25	8.00	10.00†
4. Post Office Recurring Deposits	6.75	7.25	9.25†
5. **7-Year National Savings Certificates**			
(a) II Issue	5.00	5.00	6.00†
(b) III Issue	5.00	5.00	6.00†
(c) IV Issue	7.50	8.25	10.25†
(d) V Issues	7.50*	8.25*	8.25*

*Compound. £ Enhanced rates of interest shall be added as bonus to the maturity value of the existing accounts. † Enhanced rates of interest applicable to existing deposits in respect to unexpired period.

Note: The rate of interest on public provident fund accounts has been raised from 5.3 per cent per annum to 5.8 per cent per annum from April 1, 1974 and to 7.0 per cent as from August 1, 1974. Collections under the public provident fund scheme are included in the net small savings collections for the purpose of grant of loans to state governments.

Source: Reserve Bank of India, *Report on Currency and Finance*, 1973-74, p. 193.

the scheme have not been very encouraging. Table II indicates the net receipts of small savings since 1951.

TABLE II

Net receipts of small savings since 1951

(Rs in crores)

Year (at the end of March)	Small Savings collections (net)
1951	33.89
1956	66.97
1961	104.98
1966	150.77
1967	117.57
1968	122.49
1969	112.80
1970	128.70
1971	191.60
1972	234.81
1973	340.57
1974	437.89

Sources: 1. Reserve Bank of India, *Report on Currency and Finance* (various issues).
2. Accountant General, Posts and Telegraphs.

At the end of March 1951, outstanding small savings at Rs 336.20 crores constituted 13.6 per cent of the total outstanding internal debt of the government of India. By the end of March 1956, it increased to Rs 580.04 crores and its share in the total outstanding internal debt of the government, increased to 18.8 per cent. At the end of the second Plan small savings increased to Rs 982.37 crores, but its share declined to 17.9 per cent from 18.8 per cent in 1956. At the end of the third Plan, it stood at Rs 1,549.33 crores representing 19 per cent of the outstanding total internal debt of the government of India. Net small savings collections during the fourth Plan amounted to Rs 1,334 crores and thus exceeded the revised fourth Plan target of Rs 1,000 crores. In view of this encouraging trend, net small savings collection target for the fifth Plan has been fixed higher at Rs 1,850 crores.

Several measures have already been taken to popularise the small savings movement. However the targets of small savings under the Plans have not bee[n ful]filled. There is therefore need for c[onti]nued effort to popularise the small sa[vings] movement through improvement i[n the] organisational set-up and through fu[rther] improvement in the incentives give[n to] the small savers. The Unit Trust of [India] has been highly successful in attra[cting] investors because the units are safe, li[quid] and also yield a fairly high return. [The] private sector has been highly bene[fited] by the Unit Trust of India. A sir[milar] trust can be established to finance [the] public sector undertakings exclusi[vely]. Public borrowing through such a t[rust] being non-inflationary, the objective [of] development with stability will be serv[ed].

References:

1. *Indian Finance, Budget Supplement* (M[arch] 4, 1953), p. 3.

2. Lok Sabha Debates, 1960, Vol. 39.

3. The limits have now been raised to [Rs] 75,000 for individual accounts and Rs 150[,000] for joint accounts. For further details see *Ea[stern] Economist* dated May 23, 1975 (P. 1138).

4. Raised to 7·50 per cent from April 1, [1974] and 8·50 per cent from July 23, 1974.

Self-sufficiency in foodgrains

R. K. Pandey

THE BASIC objectives of planning in our country are removal of poverty and attainment of self-reliance. Among other things, self-reliance in foodgrain production is of utmost importance for our economic development. During recent years, efforts have been made to raise food production by introducing new technology in agriculture. But rise in population and income has exerted upward pressure on demand for foodgrains. The domestic production has been inadequate to meet the demand. This has often led to heavy imports of foodgrains. This article examines the supply and demand aspects of foodgrains. More specifically, it is an attempt to examine the position of our demand and supply of foodgrains during coming years. Some steps to expand foodgrain production have also been suggested.

As mentioned earlier, the increase in foodgrains demand is due, mainly to, growth in population and income. The projected demand for foodgrains for the years 1981 and 1986 will be much higher as compared to the present consumption. The population during 1971 was 546.9 million. During 1981 and 1986, it will reach 657 million and 705 million-mark. The population during these years will increase by 20 per cent and 29 per cent over 1971 level. The estimated per capita income for the years 1981 and 1986 will be Rs 284 and Rs 348 respectively.[1] As compared to 1971 level of income, the income in the years 1981 and 1986 will be higher by 16 and 24 per cent respectively. The expansion in income exerts an upward pressure on demand because people buy more of foodgrains as their income rises. The income elasticity of foodgrains has been estimated to be 0.707[2]. Therefore, the overall increase in demand will be to the tune of 13 per cent and 17 per cent on account of increase in per capita income. When we consider population growth and income expansion simultaneously, the total foodgrain demand will increase by 33 per cent and 46 per cent in the years 1981 and 1986 respectively. The net availability of foodgrains per person in the year 1971 was 1[...] kilogram[3]. This quantity of foo[d]grains provides approximately 1650 cal[o]ries of energy per day. It has been assu[m]ed that the remaining nutritional need w[ill] be met from other sources such as mil[k,] milk products, meat, fruits, etc.

There has been considerable expansi[on] in the production of foodgrai[ns] during recent years. Total foodgrai[n] production increased from 50.[...] million tons in the year 1950-51 to 82.[...] million tons in the year 1960-61. Durin[g] the year 1970-71, there was a record pro[]duction of 108.4 million tons. Howeve[r] 1972-73 witnessed a set-back when produc[]tion fell to 95.2 million tons. But, the tar[]geted level of production at the end of th[e] fourth five year Plan was 129.0 millio[n] tons. Production of principal foodgrains is given in Table I.

Linear growth rates of foodgrain production, area and yield for the year 1960-61 to 1973-74 are given in Table II. Wheat

had witnessed maximum growth, was followed by bajra, maize, rice ragi. Crops showing negative growth were jowar, barley, gram and pulses. growth rate of area was, again, maxi- in the case of wheat followed by e, bajra and rice. Negative growth for area component had been obser- in jowar, ragi, barley, gram and es.

ield growth rate was maximum, again, he case of wheat. It was followed by ra, barley, rice, ragi, jowar and maize. gative yield growth rate was recorded pulses.

he average annual production of the four years of the fourth Plan period comes to approximately 102 million tons. This quantity has been insufficient to meet the requirements of domestic consumption. Net imports of foodgrains have been quite high in a few years. In the year 1966, net imports of foodgrains were 10 million tons. It was reduced to approximately two million tons in the year 1971.

On the basis of conservative estimates, to achieve self-sufficiency in respect of foodgrains by the end of 1981 and 1986, India requires approximately 144 and 156 million tonnes of foodgrains respectively. It will provide about 1650 calories of energy per person per day. The needed linear growth rate of production would be 5.8 per cent at the end of 1981 and 4.6 per cent by the year 1986. Considering the past performance of Indian agriculture where 2.55 per cent growth rate was obtained in the last decade, we have to intensify our efforts to achieve self-sufficiency. It will be worthwhile to mention that the compound growth rates for foodgrains production as envisaged by the Planning Commission is 4.2 per cent[4]. If we use scientific methods of crop production, a growth rate of five to six per cent seems to be technically feasible.

TABLE I

Production of Principal Foodgrains

(million tons)

rops	1950-51	1960-61	1970-71	1971-72
ice	20.5	34.5	42.2	42.7
owar	5.4	9.8	8.1	7.7
ajra	2.6	3.3	8.0	5.3
laize	1.7	4.0	7.4	5.0
agi	1.4	1.8	2.1	2.1
mall millet	1.7	1.9	1.9	1.5
Vheat	6.4	11.0	23.8	26.4
arley	2.3	2.8	2.7	2.5
Cereals	42.4	69.3	96.6	93.6
Pulses	8.4	12.7	11.5	—
Total foodgrains	50.8	82.0	108.4	104.6

Source: Directorate of Economics and Statistics, New Delhi.

TABLE II

Linear Rates of Growth of Foodgrains during 1960-61 to 1973-74

(Average 1960-61 to 1962-63=100)

Crops	Production (per cent)	Area (per cent)	Yield (per cent)
Rice	1.88	0.69	1.05
Jowar	—1.18	—0.82	—0.40
Bajra	5.95	1.15	4.56
Maize	3.53	3.06	0.35
Ragi	0.43	—0.50	0.95
Wheat	11.43	4.20	5.21
Barley	—0.53	—1.50	1.26
Cereals	3.05	0.92	1.83
Gram	—1.85	—2.07	2.20
Pulses	—1.13	—0.93	—0.12
Foodgrains	2.55	0.52	1.64

Source: Directorate of Economics and Statistics, New Delhi.

TABLE III

Growth Rates of Foodgrains Productions

Year	Linear (per cent)			Compound (per cent)		
	Production	area	yield	Production	Area	Yield
1949-50 to 1973-74 (average 1949-50 to 1951-52=100)	3.68	1.12	1.83	2.66	0.98	1.52
1952-53 to 1973-74 (average 1952-53 to 1962-63=100)	3.00	0.83	1.56	2.44	0.77	1.41
1960-61 to 1973-74 (Average 1960-61 to 1962-63=100)	2.55	0.52	1.64	2.28	0.51	1.52

Source: Directorate of Economics and Statistics, New Delhi.

At this stage, it is difficult to increase area under cultivation. Moreover, we cannot suggest to increase the area under foodgrains. This is because, foodgrains occupy most of our land under cultivation. Growth rate of total foodgrains production is given in Table III. It is falling if the bases are shifted to recent years. Examination of Table II indicates that the yield of wheat has increased at the rate of 5.21 per cent per annum. On the other hand, rice has shown a growth rate of only 1.05 per cent per year. This crop is very important and occupies one-third of the area devoted to total foodgrains. It is grown in about 37.3 million hectares. If we could achieve a growth rate for rice similar to that for wheat in a decade, productivity can rise to approximately 50 per cent. It may give 22 million tons of additional grain. From a base level of 1970-71, if we could increase productivity to 50 per cent for all foodgrains, by the

year 1980-81, total production of food may go up to 153 million tons.

To achieve this level of output, the existing programme of evolving new high yielding seed for all important grains should be strengthened. Farmers should be supplied with adequate inputs such as fertilizers, insecticides and water. Proper utilisation of these scarce resources is very important. There is an over-all shortage of chemical fertilizers, but the requirement of plant nutrients can partly be met by proper use of dung and other organic matters. Irrigation is another vital input for new seed technology. It is worth mentioning that the entire irrigated area was 18.3 per cent of the total area during 1960-61. It increased to 19.3 per cent in 1964-65 and 22 per cent in the year 1968-69.[5]

Area under irrigation can be increased by making some investment in community tanks in the villages. These tanks can be used to store monsoon water. These tanks may provide additional water for irrigating land in winter as well as underground water table can be replenished. Extension agencies should be geared to meet the new challenge of educating farmers for achieving self-sufficiency in foodgrains. Proper price policies for inputs and outputs should be evolved to provide adequate incentive to the producers.

References:

1. Holst, William "India Self-sufficiency Foodgrains" in *Agricultural Policy and F Self-sufficiency* edited by S. C. Mathur, As ciated Publishing House, New Delhi; 1970.

2. Pandey, R.K. "The Analysis of Dema for Foodgrains" *Indian Journal of Agricultu Economics*, 1973.

3. Government of India, Directorate of Ec nomics and Statistics, *Bulletin on Food Statist* 1973, New Delhi.

4. Planning Commission, Draft Fifth F Year Plan, 1974-1979 Volume II, p. 50, N Delhi.

5. Planning Commission, Basic Statist Relating to The Indian Economy, 1950- to 1970-71, p39, New Delhi.

Capital base of commercial banks

K. R. Pillai

ADDRESSING THE shareholders of the State Bank of India at the recent annual general meeting, Mr R.K. Talwar, chairman of the bank, has made a forceful plea for strengthening the capital base of commercial banks in the public-sector. His speech gives the impression that the present capital base is a major deficiency that hampers the operations of banks. Since the views are those of the chairman of the largest public sector bank in the country, it is likely that they would be subjected to discussions at the appropriate levels in the banking and government circles. The rationale of the proposal and the efficacy of the manner of implementing it should naturally form part of the discussions.

The points in support of the case for strengthening the capital base have to be examined at the first instance. The rapid progress in deposit mobilisation with no corresponding efforts to augment the owned resources of banks has considerably diluted their capital-base: SBI capital in 1974 formed 1.6 per cent of its deposits while the figure for other nationalised banks with reference to their position in 1973 was hardly 1.26 per cent. This position should be viewed against a norm of six per cent stipulated by Reserve Bank in early sixties.

Mr Talwar seems to feel that the capital base of an enterprise, whether it is a banking company or an ordinary joint stock company, should serve the same purpose and its strength or weakness would have its impact on the healthy functioning of the enterprise itself. In his view, the large-scale branch expansion programmes of commercial banks have made it necessary for them to go in for office premises and the expenditure on such account has necessarily to be funded from the equity capital. Considering the structure of commercial banks in India and the prevailing system of branch banking with the added accent on large scale expansion contemplated in recent years, it would be unwise for any commercial bank to own buildings wherever it has offices.

Commercial banks as institutions and their staff as a class have always been behaving as an affluent class with an ostensibly luxurious pattern for housing their offices even in mofussil areas. If any bank thinks of having its own buildings commensurate with the thousands of branches which require equity capital for their financing, not only will its capital get blocked in buildings and dead stock, but it might have to maintain an army of estate managers for this purpose alone. A proper feasible course would be to make advances to private parties and adjust the recovery of the advance out of monthly rentals which could be charged to the current year's expenditure.

Another point advanced by Mr Talwar relates to the fact that with the accen placed on development banking and th necessity to give special consideration t the weaker sections as a matter of socia objective, the incidence of bad debts ha become more pronounced at present tha what it was in the past. Some amount o additional cushioning, he feels, is neces sary to take care of the eventualities aris ing out of debts becoming sticky. It doe not follow that the mere fact of extendin assistance on concessional terms t weaker sections, in the context of th development role of banks, should inevi tably lead to an accumulation of bad debts In fact it is said that quite a few banks in their anxiety to advertise the attain ment of their targets in terms of the num ber of accounts or the volume of assis tance to such selected sectors forming a certain percentage of their total assis tance, have compromised with quality ir the selection of their borrowers.

If the incidence of risk emanating from the new role is a pertinent factor tc be reckoned with, the best course woulc be to institute a fund jointly financed by the participating commercial banks tc function as a guarantor or an insurer sc that the question of erosion of any particular bank's resources on account of the failure of some of its parties can be avoided. One of the dangers in this process, however, is that the knowledge that banks can have recourse to the fund can build up a

dency on the part of some of the borvers to slip.

The third point made by Mr Talwar, is t bank failures in some foreign counts following the volatile exchange fluctions call for strengthening the capital se of banks as the acceptability by fogn banks of guarantees, covering dered payments or other liabilities, offed by Indian banks would be determined the inherent capital-strength of the aranteeing bank. He seems to ignore e fact in these days of advanced intertional banking practices, the criteria for ceptability of one bank's guarantee by bank from another country are the *anding* of the guaranteeing bank, its rerd of performance and the inherent rength of the economy of the guaranteeg bank's country to withstand internaonal strains. In transactions of this pe, one can hardly argue that *standing* eans a high equity-deposit/debt ratio.

The exchange regulations, exportnport policy, balance of payment position nd the record of the country in meeting s obligations internationally and the ssessment of the strength of the country y institutions like the World Bank or the nternational Monetary Fund etc alone can e reckoned as the real determinants of cceptability of guarantees or other comnitments made by one country's bank to nother. If the economy of a country is a hambles in the view of another counry, the guarantees offered by a bank of the eporting country, in spite of a strong capial base of the guaranteeing bank, would e less acceptable to an outsider than the uarantee of a capital-weak bank operatng in a country, the economy of which is ated to be sound in international circles nd the government is known to be pursuing fair policies. If a balance sheet nalysis of a guaranteeing banker is the principal factor that governs international banking transactions, the volume of permissible transactions would have been only a fraction of what they are really today.

risk cover

Mr Talwar is, no doubt, aware of the agencies providing guarantees or risk cover. While the institutional set up for these operations is, perhaps not adequate, Mr Talwar does not even seem to take note of such agencies in his efforts to substantiate the case for strengthening the capital base of commercial banks. It is necessary to examine whether as a matter of international banking practices, any norm has been followed as the minimum requirements of capital base for commercial banks in terms of deposit liabilities. If there is such a norm, it is to be enquired whether that norm would uniformly apply to all banks irrespective of the type of ownership or stability of the economy of the countries concerned. Has the week capital base of Indian banks or banks from other countries been a limiting factor in their efforts for successful negotiations of transactions particularly with bankers known to be having strong capital base? If, in practice the so called weak capital base of Indian commercial banks was a real handicap, logically some efforts would have already been made by authorities to correct the position.

difficult proposition

On the question of the manner in which the capital is to be brought in also, Mr Talwar has made some suggestions. But when he suggests that public participation, including those by bank employees, will not hamper the concept of public ownership of banks and in the light of his experience of mixed-management in some of SBI subsidiaries, the government would still be in a position to retain controlling interest in formulating policies and implementing them, one has difficulty in accepting his views without reservation. The recent controversy let loose with the concept of 'national sector' would apply in the case of banks also with one difference: the need for revival of the Indian capital market by any means, even by allowing public participation in the equities of public sector concerns, is more compelling than the need for augmenting the capital base of commercial banks.

On account of the strategic position enjoyed by commercial banks it is likely that private individuals would be tempted to come forward to take shares in public sector banks. But the question is whether such an approach can be allowed in public interest. If the private parties are allowed to participate in the shares, even without significant holding, the very philosophy of public ownership of banks would be defeated. The policies and operations of commercial/industrial undertakings are totally different from those of banks. Ultimately the question to be asked is: what are the real forces compelling us to sacrifice the philosophy of public ownership of banks? If there was a real need for strengthening the capital-base of commercial banks, either on the grounds advanced by Mr Talwar or on other grounds, this matter would not have been overlooked so far. It is yet to be established that public interest warrants the strengthening of the capital base of banks by admitting private interests.

Another means suggested by Mr Talwar is the involvement of bank employees. Here the intention is that in the process, the bank employees will have a 'greater sense of involvement'. Assuming that an employee takes shares of the value of say Rs 10,000 (which can only be an outerlimit) and gets a return of say 12 per cent what he earns annually by way of dividend cannot be anything more than a month's salary of a clerk who has put in a few years' service. This cannot, obviously be an attraction to bank employees nor can it give 'a greater sense of involvement' because of the limited stake in the total. Moreover, bank employees as a class are confident of achieving what they want by means of strong trade unions built up by them. They naturally would have little concern whether they own a few shares and get a return.

practicable means

None could possibly disagree with a proposal for strengthening the capital base of any enterprise. But the case for strengthening should be established beyond doubt and the means adopted should be practicable. As far as the Indian public sector commercial banks are concerned, the need for the proposed action has not been brought out in a convincing form by the SBI chairman. An important point to be recognised is that commercial banks can operate even with a low capital base without impairing stability. Any efforts for augmenting the owned resources could not ultimately lead to a situation where the funds are blocked in non-liquid assets. The commercial banks should, no doubt, be profit-earning enterprises and by the very nature of their operations they cannot but earn profits unless there are faulty management and operations. But unlike other industrial enterprises, there are limits to profitability in the case of banks.

In public interest, the profit should not be frittered away in financing building construction to house offices or for writing off bad debts or for paying enhanced wages to employees. Like profits of other public sector undertakings, the profit of public sector banks also should be utilised for strengthening the resources of the government in carrying out the developmental activities. After all it is the backing of the government which is the real strength of the commercial banks.

JS investment in western Europe: I

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

Stop-go in US Investment

HT YEARS ago, 1967, the French politi- n-journalist Jean-Jacques Servan- reiber published his widely translated ok on the problems that US direct in- tment was creating for Europe.

Since then businessmen and govern- nts have wondered whether the US lustrial invasion would be forced to ract or to slow down. In the late 60s authorities predicted that it would, d that the rate of US expansion in rope would never return to the heights the first part of the decade. For a few ars this was true. US direct investment rged, however, in the early 1970s and uld be moving ahead rapidly again fter a decline during the current interna- ional depression. The extent of invest- nent is a straightforward reflection of gene- ral western prosperity and the attraction of expanding markets. Economic decele- ration or no, western Europe — the EEC in particular—has been and is the fastest growing market outside the US.

The 1967 recession in the USA, the 1968 step of the administration of President Lyndon B. Johnson from voluntary to mandatory controls on US investment abroad, and the prospect of more rigid restriction on inward investment by some European governments, caused an apparent decline. New US direct investment in the original six countries of the EEC fell nearly one third in 1967. Plant and equipment expenditures by majority-owned US affiliates in Europe showed a negative change of 12 per cent in 1968. Nevertheless, the book value of US direct investment continued to rise, and the new levels of additions from 1970 to 1973.

Where the book value increase for 1966-67 was $1,600 million, for 1972-73 it was $6,000 million. Total sales of majority-owned US affiliates in western Europe for 1966 were $40,500 million; in 1972 they were $97,000 million.

Whether he approves or disapproves may depend mainly on a critic's devotion to internationalism in industry and business or to national sovereignty in economic and political affairs.

Cross-fertilisation in manufacturing, services, and finance is good or bad depending on the point of view — but it is a vivid fact of economic history since World War-II. It occurs in its different ways among the industrialised states of both the Marxist or capitalist-inspired worlds.

As the concept of political sovereignty has advanced at least in the numbers and smaller size of bodies admitted to the United Nations, the concept of multinationalism in business has taken a great leap forward. If economics are basic to history, then the postwar conservative industrialist financier may unconsciously be taking a firmer historical position than the political activist.

A case can be made for the uncertain value of the contribution of multinational business to the underdeveloped world, i.e. how and whether investment by multinationals affects the continually wider gap between living standards of the underdeveloped and developed nations. But all the evidencee shows that multinational investment among the industrial nations has helped to raise gross national products, employment, domestic output, and export trade. How to govern its movements and actions, as demonstrated by e.g. different national approaches to North Sea oil and gas developments, is another matter.

In the three years between 1965-68, accumulated US direct investment in western Europe rose by 39 per cent. Between 1970-73, the rise was 52 per cent. The aggregate book value at year-end 1965 was $14,000 million, and at year-end 1973 it was $37,000 million. This is an eight-year increase of 166 per cent. Over the same period inward direct investment to the USA from western Europe rose by a vigorous 100 per cent.

Growing proportion

The US Department of Commerce states that three-quarters of the annual additions to US direct investment in foreign countries today is in the developed areas. This is reflected in the proportion of the book value total found in western Europe, which in 1965 stood at 28 per cent of the total US direct investment worldwide. By 1973 western Europes's proportion had grown to 35 per cent.

Investment breeds investment; the 1965-73 rise in the original EEC-Six was 206 per cent, compared with the rise of 118 per cent for the United Kingdom over the same period (which is categorised separately by the Department of Commerce because the UK ranks second only to Canada with the largest aggregate), and 162 per-cent for other west European countries.

Meanwhile direct investment in the USA from western Europe also went up, although slightly less dramatically in amounts and percentages. The rapid economic growth in western Europe was largely responsible and the Eurocurrency market boosted capital-source opportunities for the European company.

But more significant is the increasing confidence of the European investors.

All the evidence shows that the USA,

in the decade-and-a-half after World War-II, had a virtual monopoly of modern marketing or management skills, bigness and sources of massive finance, and practical and psychological advantages in competition. And although the then 48 states of the USA comprised the world's largest market, fear about ability to compete with US industry in its home, justifiable or not, deterred European companies, except British. The UK surprisingly only if historical factors are forgotten (British direct and portfolio investors backed over three quarters of US industry in the mid-1800s and the UK has stayed as the largest single foreign investor in the USA), has been a consistent investor. It is only for the last ten years that figures of movement into US markets revealed European enterprises had become confident enough to compete with the Americans in their home markets.

Here again, the statistics bear out the obvious talents of the original countries of the EEC-Six. From 1965 to 1973, aggregate west European direct investment in the USA doubled in book value, from $6,100 million to $1,2,200 million, i.e. an increase in the EEC-Six stake in the US of 125 per cent, while that from the UK rose only 86 per cent. The rest of western Europe increased its stake by 69 per cent over the same period. The largest single annual increase for all concerned was in 1973, one more facet of the worldwide business boom of that year.

According to annual rates of increase, recent US direct investment has aimed sharply at West Germany and, somewhat less, at France, Switzerland, and Belgium-Luxemburg. The aggregate amount, however, remains greatest in the UK. At the end of 1973 the accumulation was $11,100 million in the UK, $8,000 million in West Germany, $4,300 million in France, $2,600 in Switzerland, and $2,500 million in Belgium-Luxemburg.

When US investment in manufacturing is examined separately, the order changes slightly. The UK, West Germany, and France remain the first three, but Italy ranks next with Belgium-Luxemburg. Switzerland, where US foreign money is mostly in trade, falls back two places, Belgium's campaign to attract foreign investment through tax and other incentives has been successful.

The West German "economc miracle", unsurprisingly, is reflected in the flow o US direct investment. Annually, the boo value in West Germany has risen t the point where it has begun to challeng the level in the traditional territory, th UK. Between 1972 and 1973, it advance from $6,300 million to $8,000 million o 27 per cent, a higher annual rate than for any other principal European nation except Switzerland. Factors that have entered into the flow to West Germany are the continued expansion of exports, a restrained rate of inflation, the availability of working force (maintained through imported guest workers), and the tradition of manufacturing quality. Labour stability and its relation to direct dollar in-

TABLE I

US Direct Investment in Western Europe—Book Value (All Industries)

	1965	1970	1971	1972	1973	Increase 1965-73
	In billion dollars					(Per cent)
W, Europe	14.0	24.5	27.7	30.8	37.2	166
EEC-Six	6.3	11.8	13.6	15.7	19.3	206
UK	5.1	8.0	9.0	9.6	11.1	11
Other W. Europe	2.6	4.7	5.1	5.5	6.8	162
World	49.5	78.2	86.2	94.3	107.3	117

TABLE II

West European Direct Investment in the US—Book Value (All Industries)

	1965	1970	1971	1972	1973	Increase 1965-73
	In billion dollars					(Per cent)
W. Europe	6.1	9.6	10.1	10.5	12.2	100
EEC-Six	2.0	3.6	3.8	3.9	4.5	125
UK	2.9	4.1	4.4	4.6	5.4	86
Other W. Europe	1.3	1.9	1.9	2.0	2.2	69
World	8.8	13.3	13.7	14.3	17.7	101

Source: US Bureau of Economic Analysis.

TABLE III

US Direct Investment in Western Europe —1973 Book Value

($ billion)

	All industries	Manufacturing	Petroleum
Western Europe	37.2	21.0	8.4
EEC-Nine	31.3	19.0	7.4
Other Western Europe	6.0	2.1	1.0
UK	11.1	6.8	2.6
West Germany	8.0	4.7	2.3
France	4.3	3.1	0.5
Switzerland	2.6	0.7	—
Belgium & Luxemburg	2.5	1.4	0.3
Italy	2.3	1.4	0.5
Netherlands	2.3	1.2	0.7
Spain	1.0	0.6	0.1
Denmark & Ireland	0.8	0.4	0.3
Sweden	0.8	0.3	0.4
Norway	0.4	0.1	0.2
Others	1.1	0.4	0.3

TABLE IV

Days Lost to Industrial Disputes

(per thousand people employed)

	Annual averate 1964-68	Annual average 1969-73
Switzerland	—	2
West Germany	6	80
Netherlands	14	120
Belgium	186	466
UK	230	1,306
Italy	1,006	2,128

Source: UK Department of Employment Gazette.

ent are illustrated in statistics compoy the International Labour Organi- in Geneva.

ere is no reason to think reciprocity estment should not apply among deed countries, while it obviously canetween the developed and the under oped. It has, in a general way, bet- the industrialised west European ns and the USA. The six Euro- direct investors with the largest nulations in the USA are from the heaviest recipients of US placement, rding to book values at the end of . The notable difference is that the erlands and Switzerland are second third, ahead of such nations as West nany or France, as becomes the full artial home bases of multinational cortions such as Philips, Unilever, Royal ch/Shell, or Nestle.

iven the increasing attention paid e 1945 to the extent of the US indus- and financial invasion of western ope, it is worth noting the generally entilated fact that the aggregate west opean investment in US manufacturing le, insurance, and other services is rly one-third of the US aggregate in western Europe. And even this ratio, drawn from official statistics, is now recognised as an under-estimate. The US Congress in 1974 debated whether estimates of inward investment by the Department of Commerce are far below actuality because of inadequate statistical measurement standards or survey techniques. Although official figures for 1974 have not yet been released, the Conference Board of New York reported that two of the three leading foreign investors in US manufacturing facilities during the year were European — the UK with 44 investments and West Germany with 43—while Japan, whose aggregate book value at year-end 1973 was less than half that of West Germany and one-eighteenth of that of the UK, had 45. The net capital flow from Japan in 1973 had been nearly three-fifths of that from the UK.

TABLE V

Principal West European Investment in USA—1973 Book Value

($ million)

	Value	Per cent of world total
World Total	17,748	—
Western Europe	12,159	69
UK	5,437	31
Netherlands	2,550	14
Switzerland	1,825	10
West Germany	768	4
Belgium & Luxemburg	603	3
France	473	3

Note: Canada, with ;4,003 mn, has second-largest total direct investment.

Sources and acknowledgements: The foregoing is the first part of a summaryby special arrangement, of a copyright report in the latest issue of *European Trends*, published quarterly to subscribers only, by the Economist Intelligence Unit (27 St. James's Place, London SWLA:INT, obtainable in India from J.A. Shah, 67 Marine Drive, Bombay 20), but the EIU is responsible neither for the emphasis of my summary, nor for my interspersed comments. This report on the role of US investment in Europe will be concluded next week, and will include a section on Arab investment in Europe.

TRADE WINDS

Import Policy Relaxation

THE IMPORTt policy has been further liberalised for export industries. All units, whether in the large or the small-scale sector, which exported 20 per cent of their production in the calendar year 1974 or 1974-75 will now be eligible for automatic import licences.

The automatic import licences will be given on the basis of the actual consumption of imported raw materials and components during 1974-75. without reference to the value of previous import licences or release orders obtained.

Increased entitlements

In the case of small scale units, the entitlement for automatic licences or release orders has been enhanced by 10 per cent, as in their cases consolidated automatic or supplementary licences are to be granted. But these facilities will, however, not be available to units engaged in the production of (i) stainless steel products and (ii) nylon fabrics, cellulose fabrics and blended fabrics from mixtures of cotton cellulosic fibre or yarn, nylon or polyester fibre or yarn.

In the import policy announced in April, these units were made eligible for preferred sources of financing for the import of raw materials and components. The units exporting 20 per cent of their production were also allowed import of restricted items for twice the value which is normally permissible to other small-scale units, but within the overall entitlement of the unit.

Excise Duty on Cars

The union government has decided to reduce the excise levy on cars sold for use as taxis, from the current rate of 20 per cent to 10 per cent ad valorem. A press note issued by the Heavy Industry ministry stated that reduction was effected with a view to increasing sales of cars for use as taxis to improve the public transport system. The government however, has decided that there shall be no reduction in excise duty on cars sold to other categories of users. The excise duty reduction will be allowed only if an officer, not below the rank of an Assistant Collector of Central Excise, is satisfied that such cars are required for use solely as taxis, the press note added.

World Bank Credit

The government of India has finalised institutional credit from the World Bank for three Command Area Development Projects which have a combined irrigation potential of over 10 lakh hectares. A team of Indian officials has just returned to Delhi after negotiating a credit of about Rs 37 crores for Madhya Pradesh Chambal Command Area. The credit for the two other Command Area Projects—Rajasthan Canal and Rajasthan Chambal Command Area—was finalised earlier. The total expenditure of the three Command Area Development Projects which have been given high priority in the draft Fifth Plan to increase the irrigation potential, is about Rs 250 crores. Of this the credit from the World Bank would amount to about Rs 126 crores.

The concept, control and administration of the Command Area Development Projects is entirely Indian and has been evolved by the Irrigation Commission, National Commission on Agriculture and the Planning Commission. The draft fifth Plan envisages development of 51 irrigation command areas all over the country. For these the draft has provided Rs 120 crores in the central sector and Rs 96.63 crores in the state sector and investment of Rs 210 crores from the institutional sources. The aim of the projects is to ensure optimum utilisation of the available water for maximum agricultural production through modernising irrigation system, construction of water courses and feeder channels and improvement of drainage system.

Wellington Trade Fair

India will participate in the New Zealand International Trade Fair at Wellington from August 20 to September 6 this year. The New Zealand fair is a biennial event organised for the first time in 1968 at Auckland. Since then, it is being held alternatively at Wellington, capital of New Zealand and Auckland. Though India has been participating in this event since its inception, it was only in 1973 that we participated on a fairly moderate scale.

In 1973, India took 4,000 Sq. feet of space in the fair to accommadate the exhibits of 41 Indian firms and organisations which included precious lathes, milling and drilling machines, electric metres electrical domestic appliances, hand knitting machines, high pressure cylinders, valves, tools, products of coir, jute, silk, cosmetics, sports goods, cashew and tea. The total business of turn-over during the fair was Rs 9.33 lakhs with actual sales of Rs 4.5 lakhs.

In the forthcoming New Zealand Fair also, India proposes to exhibit general merchandise of all groups and categories of commodities with emphasis on engineering goods, textiles, readymade garments, handicrafts and various consumer goods such as sports items, footwear cosmetics and sanitary fittings.

Ancillary Units

The definition of ancillary industry has been widened to include a small-scale unit also as a parent unit. Under the modified definition announced by the ministry of Industry recently, any unit supplying 50 per cent of its production either to a large unit or a small-scale unit will be treated as ancillary unit to be eligible for various facilities under the ancillary industries development scheme.

The small scale units which under natural growth cross the investment limit of Rs 10 lakhs now prescribed, are being given a grace period of two years to get themselves registered with the DGTD or the concerned technical agency and obtain carry on business licences. Within that period even if they had crossed the investment limit for small-scale units they would continue to get all the facilities available to small units. This relaxation has been made to remove the inhibitions for the small-scale unit to step up their investment for fear of loosing the facilities they had been getting.

The coverage under ancillary units whose investment limit has also been widened to include apart from the manufacture of parts, compoponents, sub-assemblies, tooling or intermediates as from now, will also include servicing facilities such as sand blasting, machining, pressure cleaning, grinding. According to the notification all industrial units covered by

new definition existing ell those newly started be eligible to the small- industries such as cre- n liberalised terms, allot- of factory sheds/plots ndustrial estates and in- rial areas, supply of hinery on hire-purchase, icipation in government purchase programme training and industrial ansion service. Those s which are registered with DGTD prior to the new nition will continue to the raw materials from DGTD as at present. y can also have the raw erials from directorates industries if they chose hin six months from now. all other facilities these ts will be registered as small le units with state direc- ate of industries.

R Advertisement ates Up

The advertisement rates in commercial service of All dia Radio are being increas- , varying from 20 to 100 per nt with effect from July 1975. Announcing this at a ess conference recently, the ion minister for Informa- on and Broadcasting, Mr K. Gujaral, stated that the ke would vary from station station and the time of oadcast.

ndia- Libya Cooperation

The Libyan Arab Repub- c (LAR) and India have greed that there is consi- erable scope for economic ooperation between the two ountries, particularly in the eld of oil and oil-based in- ustries. This was officially tated by the Libyan Oil minis- er, Mr Izzudin Al Mabrouk, who had visited this country ecently. In India he met the President and the prime minister, to discuss bilateral relations and areas of coope- ration. Mr Mabrouk told the Indian minister of Petroleum, Mr K.D. Malaviya, of Libya's willingness to let the Indian Oil and Natural Gas Com- mission explore for oil in Libya and that a new phase of economic collaboration between the two countries could be started. The two countries already have agreements on crude oil supplies and technical cooperation.

On his part, Mr Malaviya assured Mr Mabrouk that India, with her expertise and experience, would be prepared to offer whatever cooperation she can in Libya's development efforts. This country was seriously considering reports submitted by the two technical teams of the Indian Oil and Natural Gas Commission that had earlier visited Libya to evaluate possibilities of securing an area for oil exploration and that a decision in this regard would be taken shortly.

Another Indian team will be sent to Libya soon to study what downstream petrochemical units could be set up to utilise intermediates' manufactured in Libya, Mr Malaviya said. In the field of technical cooperation in engineering and refinery programmes, India was ready to train Libyan engineers and technicians in various branches of engineering, he added.

Indo-Jorden Trade Pact

India and Jordan have entered into a new trade and economic agreement. The new agreement widens the scope of cooperation between the two countries than what had been envisaged in the earlier agreement. The new agreement will come into effect after ratification by both the countries. The existing trade agreement has been extended by a year. The new agreement is modelled on the pattern of accord with socialist countries in that it provides for formulation of trade plans. It even goes a step further in providing for the establishment of joint ventures and cooperation in economic fields.

During recent trade talks, Jordan showed a keen desire on forging close economic links with India, particularly in the field of cement and setting up refineries. It is learnt that Jordan is willing to assign techno-economic studies for cement projects and refineries to India. Power transmission and distribution is another area where there can be fruitful cooperation between the two countries.

Suez Canal Reopens

The Suez Canal Authority recently announced new tariff rates for ships when it reopens on June 5. The rates are nearly double those in effect when the canal was closed eight years ago by the 1967 Arab-Israel war. The Authority chairman, Mr Maheur Ahmad Mashour, told newsmen that the charges would have to be raised again if there is a further increase in the price of oil. Mr Mashour said Egypt could no longer apply pre-war rates because inflation and several currency devaluations had substantially changed the world's financial picture.

Personal Taxation Receipts

The Finance Act, 1974 made a Reduction in the rates of Income-tax as distinct from Corporation-tax. It was anticipated at the time of framing budget estimates for the year 1974-75 that the reduction in the rates of Income-tax on personal incomes from 97.75 per cent to 77 per cent would not cause any loss of revenue because of better tax compliance. Accordingly budget estimates of income tax oollection during 1974-75 was put at Rs 709 crores, without allowing for any deduction on account of reduction in the rates of income-tax on personal incomes. The actual collection of income-tax during 1974-75 has been Rs 752.47 crores (provisional).

Indian Register of Shipping

India has, for the first time, formed its own classification society for the registration of ships. Known as the Indian Register of Shipping (IRS), it was inaugurated by the minister of state for Shipping and Transport, Mr H.M. Trivedi, recently in Bombay. India will be the second Asian nation to have its own classification society, the other country is Japan. The registration of ships with an independent organisation has been in vogue to ensure their sea-worthiness, thereby ensuring safety. It is also prerequisite for insuring ships. The classification society keeps of ships to see that the design and specifications are strictly adhered to. After the ship has been launched and it is on the high seas, the society sees to it that it is properly maintained and is in good condition. With the classification

of ships with IRS, the country will annually save considerable foreign exchange. Foreign classification societies operating in India, however, will be allowed to continue, as they have to deal with foreign ships calling at Indian ports.

IRS proposes to have technical collaboration with some of the established societies, negotiations regarding the terms for such collaboration are in progress. A majority of shipowners have already enrolled themselves as members of IRS, others are likely to do the same. IRS will have its headquarters in Bombay and offices in Calcutta, Madras Cochin and Visakhapatnam. It will be registered under the Companies Act of 1956. IRS has started functioning, though not officially inaugurated, and has so far surveyed seven vessels. The Indian Steamship company, the Scindia Steam Navigation Company and the Shipping Corporation of India have offered to have their ships for classification with IRS. Twentyfive per cent of Indian ships are expected to be registered, the remaining would be covered by its register within two years.

Foreign Aid During 1974-75

The official figures now available about the external assistance for the last financial year (April 1, 1974 to March 31, 1975) reveal that India signed aid agreements amounting to US \$ 1760.46 million. Out of this project aid amounted to US \$722.44 million which included a grant of US \$63.86 million and loans US \$ 658.58 million. Non-project aid constituted a total of US\$ 1038.02 milion including a grant of US \$ 83.98 million, loans US \$ 777.26 million and debt relief US \$ 176.78 million. The maximum contribution was from the IDA totalling. US \$ 728.10 million.

The country-wise details of the aid agreements signed during April 1, 1974 to March 31, 1975 are given in table below:

(US \$ Million)

Name of the country/institution.	Project		Non-Project		
	Grant	Loan	Grant	Loan	Debt relief
1. Austria	—	—	—	1.11	2 91
2. Belgium	—	—	—	4.75	2.71
3. Canada	0.66	—	46.70	10.00	—
4. Denmark	42.20	—	—	8.64	0.99
5. West Germany	4 06	48.87	—	30.92	62 65
6. France	—	25.35	—	44.08	15.27
7. Japan	—	36.62	—	23.30	40.42
8. Netherlands	—	—	3.90	36.69	—
9. Norway	7.41	—	—	—	—
10. Sweden	9.53	—	28.58	29.77	0.83
11, UK	—	—	4.80	116.40	21.88
12. USA	—	8.64	—	121.60	29.12
13. IBRD	—	161.00	—	—	—
14. IDA	—	378.10	—	350.00	—
Total	63.86	658.58	83.98	777.26	176.78
	722.44		1038.02		
Grand Total	1760.46				

Note: Debt Relief from Denmark and Sweden has been given as grant.

COMPANY AFFAIRS

ationary Steps ged

DING ON the stock exchange moderate during the past k. Share prices moved in a ow range. Business was icted. The announcement cut in excise duty on cars for use as taxis failed to nence the market. Reports recession in scores of intries affected the market timent. Even the Chairn, Dr Bharat Ram, in his ent annual address to the reholders of Coromandel tilisers has urged the gonment to shed its complacy and take bold steps to ive the economy. Many jor industries, particularly tiles, jute and automobiles already in a precarious ndition and if the situation allowed to deteriorate, many ore industries will be in a nilar predicament.

medial measures needed

Unless remedial meares are taken by the overnment recession is kely to assume serious proortions, thereby paralysing e entire economy. Meanwhile e peace on the price front as been disturbed. The price urve which had been declinng during the past six months as again started moving up owly and steadily since the eginning of April. In the neantime the committee of the ederation of Indian Chambers f Commerce and Industry which met under the chairmanhip of Mr Harish Mahindra as called for replacement of nti-inflationary measures by teps to reflate the economy. Regarding price trends the comnittee feels that it would be too imited an exercise to follow he behaviour of wholesale and etail prices of certain groups of commodities only. The committee is of the opinion that it is necessary to keep in mind the external prices of export and import products as also the cost of labour and capital. What is called for is an integrated approach so that sectoral and other imbalances are not only reduced but the growth points are stimulated to place the economy on an even keel and give a fillip to growth with stability.

Herdillia Chemicals

Herdillia Chemicals Ltd. has reported an impressive improvement in its working results over its previous year's encouraging performance. The directors have stepped up the equity dividend to 30 per cent from the maiden dividend of 10 per cent paid in 1973. With a sharp upswing in sales from Rs 7.86 crores to Rs 18.11 crores, the gross profit shot up to Rs 6.63 crores from Rs 2.91 crores in 1973. The steep increase in sales is attributed mainly to the recommissioning of the phthalic anhydride plant and the general increase in selling prices to cover the increased cost of inputs.

The profit for 1974 is said to include a significant non-recurring contribution from cheaper raw materials in stock at the beginning of the year. All the plants operated satisfactorily during 1974. Production of phenol, acetone and diacetone alcohol was lower than in the previous year owing to limited availability of raw materials and furnace oil. With the installation of a new reactor and introduction of a new type of catalyst, the phthalic anhydride plant which was not operative during 1973 achieved satisfactory production and efficient levels during 1974.

Out of the gross profit, the directors have provided Rs 1.09 crores to depreciation reserve as against Rs 1.07 crores in the earlier year, while the allocation to development rebate reserve was stepped up to Rs 1.60 crores from Rs 1.36 crores. A sum of Rs 62 lakhs was earmarked for taxation as against no provision in the earlier year. The net profit after these allocations amounted to Rs 3.32 crores as compared to Rs 48 lakhs in the previous year. Out of the 30 per cent dividend proposed, which is expected to be tax-free, 12 per cent will be paid after the annual general meeting. The balance of 18 per cent in two equal instalments in July 1976 and July 1977 with eight per cent interest.

Hindustan Lever

The directors of Hindustan Lever Ltd. have recommended a dividend of 15.5 per cent for 1974 as against 18 per cent paid for 1973. But the dividend for 1974 is payable on an enlarged capital resulting from the one-for-six bonus issue. Due to dividend limitation Act the immediate payment will be only 6.7 per cent, followed by two annual equal instalments of 4.4 per cent each in July 1976 and July 1977. The company's sales recorded a handsome rise to Rs 145 crores from Rs 133 crores in 1973 while exports more than doubled from Rs 6.7 crores to Rs 13.7 crores. Profit before tax at Rs 9.22 crores was at the same level as in the previous year. But profit after tax was marginally higher at Rs 3.42 crores as against Rs 3.25 crores in 1973. After adjustments there is a distributable profit of Rs 3.63 crores as against Rs 3.92 crores in 1973. With the rate of inflation down, raw material prices more stable than in 1974, and demand for company's products continuing to be good, the company's outlook for 1975 is indeed quite promising.

Dunlop India

The directors of Dunlop India Ltd have declared a taxable equity dividend of rupees two per share for 1974. Out of this, 65 paise per share is proposed to be paid on or after August 1, 1975. The balance is proposed to be paid in two equal Instalments on July 6, 1976 and July 6, 1977 with an interest of eight per cent per annum. Subject to the approval of the shareholders at the forthcoming annual general meeting the directors have proposed the issue of bonus shares in ratio of one new ordinary share for every three ordinary shares held. The company's total income improved to Rs 147.04 crores, recording an increase of 43 per cent over the previous year. This was mainly due to increased volume of production and the revised selling prices. After providing for taxation and all other charges, including depreciation and interest, the balance of profit amounted to Rs 3.39 crores as compared to Rs 2.55 crores in 1973. The equity and preference dividends will absorb Rs 2.25 crores. A sum of Rs 1.14 crores has been transferred to the general reserve.

Svadeshi Mills

Svadeshi Mills have maintained the equity dividend at Rs 20 per share for 1974. Out of the proposed dividend, Rs 12 per share will be paid immediately and the balance of rupees eight per share in two equal instalments of rupees four each on July 6, 1976 and July 6, 1977, with an interest of eight per cent. Although sales have edged up from Rs 12.60 crores to Rs 12.88 crores the gross profit has slumped to Rs 141.44 lakhs from Rs 154.19 lakhs in

3. Out of the gross profit, directors have set apart a n of Rs 33.90 lakhs to preciation reserve as against 30.53 lakhs a year ago. e allotment to development bate reserve was stepped up m Rs 8.12 lakhs to Rs 8.25 khs while taxation absorbed 60 lakhs as against Rs 55 khs the preceding year. No ovision has been made for atuity as against Rs 27.92 khs in 1973. Equity and preference dividend will claim Rs .27 lakhs, the same as in e preceding year.

oromandel Fertilizers

The working results of oromandel Fertilizers for 974 have been satisfactory lthough production suffered ue to an extended shut-down onsequent to necessary reamp and unforseen mechaical problems. The reformer ubing has been completed and eat exchanger has been assurd to be at the factory site by he manufacturers by Septemer-October this year. Hence he company looks forward o increased production in the irst quarter of 1976. The Andhra Pradesh State Electricity Board and the state government exempted the fertilizer industry last year from the operation of a power-cut. However, a cut has been recently imposed and this will naturally have its reprocussions on the company's production. Efforts are being made to persuade the state government to show the realism and the practical consideration which was shown in ample measure last year and exempt the fertiliser industry from suffering due to power cut. This was stressed by the Chairman Dr Bharat Ram while addressing the annual general meeting of the company.

The chairman also voiced his concern over the continuing shortage of railway wagons required to move fertilizers in time and in adequate quantities. As a result the company has to rely more on lorry transport in place of rail movement. Consequently transport by lorries increased during 1974 from 23 per cent to 38 per cent calling for larger payments to meet the lorry bills. It is hoped that the ministry of Railways will examine this issue and ensure the supply of more wagons to move its finished products.

acute problems

Although the package of measures initiated by the government since July 1974 has succeeded to some extent in containing the increase in prices, the economic situation does not permit of complacency. Already recession has set in affecting the economy due to lack of investment. Major industries such as automobiles, jute and textile are already in a difficult situation, and gradually many more industries will also face acute problems. So the chairman underlined the need for taking bold steps to revive and revitalise the economy.

It is heartening to note that the primacy of agriculture in the process of economic development has been recognised and it is equally comforting to note that the government will continue to encourage this vital sector, for agriculture more than any other sector must command priority, have continued growth and consistent improvement in productivity. All inputs and fertilizer is of prime importance, require attention and hence an increased tempo of investment in this field is called for. At the same time the importance of the industrial sector has to be acknowledged and a balanced emphasis of both agriculture and industry will go a long way in improving the quality of life.

Philips India

The record of Philips India Ltd is one of rapid growth, development, expansion and diversification. Its sales during 1974 at Rs 615.6 million outstripped its previous year's peak performance by a margin of 22 per cent. The sustained efforts made by the company resulted in a three-fold increase in exports from Rs 11.9 million in 1973 to 33.4 million in 1974. It is significant to note that in 1974 the company was a net earner of foreign exchange on current account, in that the inflow from export exceeded the outflow of foreign exchange on account of raw materials and piece parts, technical assistance fees, interest and dividends. The spectrum of products exported include electronic components, radio receivers, public address systems, fluorescent lamps, lamp components and electrodes.

The government has granted the company an industrial licence for the manufacture of variable gang condensers for export and a letter of intent for intercommunication apparatus, largely for export. The company has proposed several more projects to the government entirely or mainly for exports.

utilisation of plant

The production of lamps components was enhanced cosiderably during the year by better utilisation of plant and equipment and improved efficiency at the factory. The increased production was largely exported. The production of high wattage GLS lamps, mercury vapour lamps, blended lamps, comptalux lamps and halogen lamps commenced at Kalwa Factory during the year. This is another example of Philips India introducing new lamps not hitherto manufactured in the country. These new lamps are designed for effective lighting and conservation of energy.

The government has granted a capital goods licence to the company for the import of equipment for further integration in the production of tungsten and molybdenum wire. This will introduce new technologies in India and save foreign exchange. Besides a licence has been issued to this, company for the manufacture burners for gas discharge lamps. A letter of intent has also been issued during the year to produce glow. switches for export. The government has granted a capital goods licence for the import of equipment for the lighting application laboratory which has been established to assist in the development of new luminaires.

With the full utilisation of installed capacity the production and sales of welding electrodes increased significantly during the year. New types of electrodes were added to the range. The production of radios at the company's factories at Pimpri and Calcutta was increased to cater for exports. The increased production was achieved in spite of power restrictions and shortages in supplies of raw materials and components.

The production of gramophones at Calcutta factory was maintained at full capacity. The new high powered stereo system 'Hi-Q International' has been well accepted in the fame markets. The output of electronic components was stepped up during the year through increased efficiencies and improved utilisation of equipment. The increased production was largely for exports. The quality of the components were further improved and the range extended with the backing of company's development activities.

calibration centre

The company is in the process of setting up a test and calibration centre at Bombay for repair and calibration of electronic equipment and for training engineers.

The government has granted the company a manufacturing licence to produce tape recorders. Forty per cent of the production is required to be exported. Production of tape recorders will commence by end of 1975. The company has increased its research and development efforts towards introducing new techniques and technologies and innovating its various products. It spent Rs 10.1 million in 1974 on various research and development schemes. The company has planned to establish a research and development centre at Loni to further strengthen its

research and development activities.

News and Notes

The Frankfurt Engineering Company, Lurgi was awarded the contract by (GOFI). The General Organization for Industrialization, Cairo, for the construction of a Nylon-6 polymerisation plant in Kafr el Dawar, east of Alexandria. The plant is designed to process five tons of caprolactam per day. start-up is scheduled for summer 1976. The new plant will be operated by Societe Misr Pour La Rayonne. The Lurgi contract includes know-how, all engineering work and the delivery of the overall equipment.

Boehringer-Knoll's public issue of 3,33,400 equity shares of Rs 10 each at par has been oversubscribed. The last date for closing of the issue was May 24 but the issue was closed on May 22.

The Shalimar Paints Ltd, was granted an industrial licence for setting up a factory in south India on condition that the company shall export paints of the value of Rs 36 lakh per annum. Although this condition was accepted but in view of the present unsettled international economic conditions and the continuing inflationary pressures, the directors are of the opinion that it is not prudent to set up a yew factory with the burden of this condition. In light of this, the company has made a representation to the government for the deletion of this condition for exports. The company is eagerly awaiting for the government's decision on this matter.

Meanwhile the company has reported a fall in exports during 1974 at Rs 15 lakhs as compared to Rs 17 lakhs in 1973. The decline in exports was partly due to the fact that the company was not in a position to accept orders at international competitive prices and also due to the spiralling prices of both indigenous and imported raw materials. It was thought inadvisable to accept orders at abnormally low prices as this would have resulted not only in a loss but also weakened the company's position to get a reasonable price from foreign buyers at a future date.

New Issues

Steel and Fasteners Ltd. is setting up a sophisticated high tensile fasteners plant at Ghaziabad with an initial a[n]nual capacity of 2330 tonn[es] of high tensile bolts, nuts an[d] screws. The capacity is pr

ed to be enhanced at a r stage to about 4,000 ton- per annum. Based on the sent project planning the nt is expected to go into l production by August- otember 1975. To meet a t of the cost of this project company is entering the ital market on June 4 by ering 360,000 equity shares Rs 10 each and 10,000 (11 cent) cumulative redeem- le preference shares of Rs 0 each for cash at par for bscription to the public.

The subscription list r this fully underwrit- n issue will close on June , or earlier but not before ne 7. The issue is being anaged by the management nsultation division of the rst National City Bank. In ew of the shortage of high nsile fasteners the company nticipates no problems what oever in selling its entire out- ut. Hence the management is opeful of declaring a hand- ome dividend within a reason- ble period of time.

Micropistons and Rings is etting up a Rs 1.55 crore roject at Kharadi in Poona istrict for the manufacture f piston rings of cast iron ith a licensed capacity of 40 akh rings per annum. The ompany intends to take up at later stage the manufacture f five lakh alumiunim pistons nnually. The company has ntered into a technicai colla- oration agreement with a wiss firm-Sim-Morges. Ac- ording to current indications, ommercial production expec- ed to commence by July 1976. The project cost of Rs 1.55 crores will be made by the hare capital of Rs 65 lakhs and term loans of Rs 90 lakhs. Out of the share capital of Rs 5 lakhs—Rs 55 lakhs in equity and Rs 10 lakhs in preference shares—the promoters, direc- tors and their friends will sub- scribe to the tune of Rs 30 lakhs and the balance capital of Rs 35 lakhs will be offered to the public for subscription.

Capital and Bonus Issues

Consent has been granted to 12 companies to raise capital of over Rs 23 crores. The details are as fol- lows:

The Biological Evans Ltd, Hyderabad, have been ac- corded consent, valid for three months, to capitalise Rs 28,80,000 out of its capital redemption reserve and general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

The Spirax Marshall Ltd Poona, have been accorded consent, valid for three months, to capitalise Rs 3,00,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every four equity shares held.

The India Filters Manu- facturers Pvt. Ltd, have been accorded consent, valid for three months, to capi- talise Rs 3,04,000 out of its General Reserve and issue fully paid equity shares of Rs. 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Herclues Hoists Ltd, Bombay, have been accorded consent, valid for three months, to capitalise Rs 7,50,000 out of its General Reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus shares for every one equity share held.

The Kishore Pumps Pvt. Ltd, have been accorded consent, valid for three months, to capitalise Rs 78,000 out of its General Re- serve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every four equity shares held.

The Ciba-Geigy of India Ltd. Bombay, have been ac- corded consent, valid for three months, to capitalise Rs 1,30,00,000 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every 15 equity shares held.

The Madura Coats Ltd, have been accorded consent, valid for 12 months, for the issue of securities of the value of Rs 13,78,15,380 as follows: (i) 116,31,538 equity shares of Rs 10 each; (ii) 15,000 preference shares of Rs 100 each and (iii) 20,000 debentures of Rs 1000 each to be issued in terms of and in accordance with the scheme of amalgamation of Messrs Madura Mills Co. Ltd, Messrs A & F. Harvey Ltd and Messrs J. & P. Coats (India) Ltd approved by the High Courts at Calcutta and Madras in their orders dated December 6, 1974.

The Mindia Chemicals Ltd have been accorded con- sent, valid for 12 months, for for the issue of securities as under; (i) equity shares worth Rs 380 lakhs and (ii) debentures worth Rs 90 lakhs.

The Andhra Valley Power Supply Co. Ltd, Bombay, has been accorded consent, valid for a period of 12 months, for issue of 20,000 (11 per cent) privately placed con- vertible debentures of Rs 1000 each to the financial institutions for cash at par.

The Dabriwala Steel and Engineering Co. Ltd, Farida- bad, (Haryana), has been granted consent, valid for a period of 12 months, for issue of secured debentures of the value of Rs 12,50 lakhs to be placed privately with Messrs Shushil Kumar Maheshwri & Co., Calcutta.

The Tamil Nadu Dadha Pharmaceuticals Ltd has communicated to government its proposals to issue capital under clause 5 of the Capital Issue (Exemption) Order, 1969 to the value of Rs 18,00,000 in 1,80,000 equity share of Rs 10 each, for cash at par, to Tamil Nadu Industrial Development Corporation Ltd.

The Hyderabad Allwyn Metal Works Ltd has commu- nicated to governments its proposal to issue capital under clause 2 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 65 lakhs in equity shares of Rs 10 each out of which Rs 60 lakhs shall be taken up by the state government of Andhra Pradesh and balance of Rs five lakhs by the em- ployees of the company.

Dividends

(per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Ferro Alloys Corpn.	Dec. 31, 1974	12.0	Nil
Ahmedabad Advanced Mills	Dec. 31, 1974	16.0	12.0
Mahindra Owen	Oct. 31, 1974	6.0	Nil
Same Dividend			
Boots Co. (India)	Dec. 31, 1974	12.0	12.0
Raza Buland Sugar	Oct. 31, 1974	Nil	Nil
Sun Paper Mill	June 30, 1974	Nil	Nil
GKW (Overseas Trading)	Dec. 31, 1974	Nil	Nil
Reduced Dividend			
Radhakrishna Mills	Dec. 31, 1974	Nil	12.0
Tata Mills	Dec. 31, 1974	15.0	16.0
Rajalakshmi Mills	Dec. 31, 1974	12.0	20.0
United Carbon India	Dec. 31, 1974	4.0	12.0
Varadhalakshmi Mills	Sept. 30, 1974	12.0	20.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the month of January 1975. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expension (SE), Carry on Business (COB) Shifting—and annual installed capacity. Details regarding letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Samco Metals & Alloys (P) Ltd: 31-Gangaikondan Mandapam, Chingleput Distt; Tamil Nadu.—(Walaja, Distt: North Arcot, Tamil Nadu)—*Steel Castings*—1250 tonnes p.a; Alloy Steel Castings—480 tonnes p.a; Heavy Duty Iron Castings—1200 tonnes p.a;—(NU)

M/s Bharat Pulversing Mills (P) Ltd; Hexamar House, Sayani Road, Parel, Bombay-25.(Bombay-Maharashtra)—Ferro Vanadium, Ferro Molybdenum, Ferro Tungstan—202 tonnes p.a; each Chromium Metal—50 tonnes p.a; Chromium Magnese Master—50 tonnes Alloys—Total:—300 tonnes p.a.—(NU)

M/s Canara Steel Ltd; Yeyyeli Padava, Mangalore.—(Mangalore-Karnataka)—M.S. Ingots, Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc—18,000 tonnes p.a.—(COB)

M/s K. Steel (P) Ltd; Jamshedpur (Bihar)—(Adityapur-UP) M.S. Ingots, Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc—9,000 tonnes p.a.—(COB)

M/s Kangrabati Steel Plant Ltd:—(Kalyani-West Bengal)—M.S. Ingots, Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc—7.000 tonnes p.a.—(COB)

Shri Subhod Kumar Khandewal, c/o M/s National Wire Works, P. 11, New Howrah Bridge, Approach Road, Calcutta.—(Howrah-West Bengal)—M.S. Black & H.B. Wires—1500 tonnes p.a.—(COB)

M/s G.D. Steels & Gasses (P) Ltd; Sahibabad.—(Sahibabad-UP)—*Mild Steel Ingots*: Electrodes quality carbon steels; Forging quality carbon steels; Hardening & Tempering quality carbon steels; etc—9,000 tonnes p.a.—(COB)

M/s Singh Alloys & Steels Ltd; 127/10/1, Manicktala Main Road, Calcutta-54.—(Kalyani-West Bengal)—*Mild Steel Ingots*: Electrodes quality carbon steels; Forging quality carbons steels; Hardening & Tempering quality carbon steels; etc—18,000 tonnes p.a.—(COB)

M/s Zenith Steel Pipes Ltd; 11, Moti Mahal, 195, Churchgate, Reclamation, Bombay.—(Khapoli-Maharashtra)—*Mild Steel Ingots*: Electrodes quality carbon steels; Forging quality carbon steels: Hardening & Tempering quality carbon steels; etc—18,000 tonnes p.a.—(COB)

M/s Ratna Ispat Ltd; 63/69, Wagdevi Cross Lane, Bombay.—(Nagpur-Maharashtra)—*Mild Steel Ingots*: Electrodes quality carbon steels; Forging quality carbon steels; Hardening & Tempering quality carbon steels; etc—18,000 tonnes p,a.—(COB)

M/s Saraya Steel Limited, P.O. Sardar Nagar, Distt Gorakhpur.—(Sardar Nagar-Uttar Pradesh)—*Mild Steel Ingots*: Electrodes quality carbon steels; Forging quality carbon steels; Hardening & Tempering quality carbon steels;—13,000 tonnes p.a.—(COB)

M/s Purna Investments Ltd; 46-C, Chowringhee Road, 7th Floor, Calcutta.—(Srikakulam-Andhra Pradesh)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc—18,000 tonnes p.a.—(COB)

M/s Bharat Heavy Eletricals Ltd: 18-20, Kasturba Gandhi Marg, New Delhi.—(Hardwar-Saharanpur, UP) Steel Castings—7,000 tonnes p.a; Steel Forgings—7,000 tonnes p.a; Steel Ingots—as required for captive use only.—(NU)

Fuels

M/s Indian Oil Corpn Ltd; (R & P Division), Indian O Bhavan, Janpath, New Delhi.—(Baroda-Gujarat)—L.P.C Naptha; S.K; H.S.D; L.D.O; F.O. (Regular); Bitumen—6 (si Million M. Tonnes p.a;—(S.E.)

Electrical Equipment

M/s Continental Electronics Industries Ltd; Herald Hous 2nd Floor, 5-A, Bahadur Shah Zafar Marg, New Delhi.—(Uttar Pradesh)—*Connectors*—1.0 Mill nos p.a; Relays—0. Mill nos p.a;—(NA)

M/s Emco Transformers Ltd; 106, Industrial Area, Sion Bombay-22.—(Thana-Maharashtra—*Volitage Regulating Transformers*—30,000 nos (30.000 KVA) p.a.—(NA)

M/s J,V. Electronics Pvt Ltd; B-5/129, Safdarjang Enclave New Delhi.—(Faridabad-Haryana)—Silvered Mica Plates & Sections & Components—200 mill pcs p.a.—(NU)

M/s Kelpro Pvt Ltd; 18/340, Lodi Colony, New Delhi.—(Uttar Pradesh)—Winding Wires upto 41 SWG—300 tonnes p.a Winding Wires upto 42 SWG—50 tonnes and Finer Glass Fibr covered Wires—75 tonnes, Fuse Wires—10 tonnes p.a.—(NU)

M/s Hindustan Brown Boveri Ltd; 'Brown Boveri House 264/265, Dr Annie Besant Road, Bombay-25.—(Bombay-Maharashtra)—Telemetering Equipment—70 nos p.a.—(NA)

M/s Britelite Carbons Ltd; 206, New Anand Bhuvan, 259 Narshi Mehta Street, Bombay.—(Gujarat)—*Midget Electrode*—225 million nos p.a.—(SE)

M/s Rao Insulating Co (P) Ltd; P.O. Whitefield, Distt Bangalore.—(Bangalore-Karnataka)—Printed Circuits—12.5 lakh nos p.a.—(SE)

M/s Escorts Ltd; Tractor & Engineering Division, 18/4 Mathura Road, Faridabad.—(Santa Cruz EPZ Bombay, Maharashtra)—Securiscope—240 nos p.a; Supraslix—180 nos p.a; Securiscope Generator—240 nos p.a; Trisolex—180 nos p.a.—(NU)

M/s Transformers & Switch-Gear Ltd; 40-2nd Main Road Gandhinagar, Adyar, Madras.—(Madras-Tamil Nadu)—*Current Transformers* 11 K.V.—3000 nos p.a; 33 K.V.—500 nos p.a; Potential Transformers 11 K.V.—250 nos p.a., 33 K.V.—300 nos p.a.—(NA)

M/s O/E/N India Ltd; 19/88-B, Kaloor Road, Cochin.—(Cochin-Kerala)—Miniature Wire Wound Trimming Potentiometer for Commercial use—1 lakh nos p.a; Miniature Wire Wound Trimming Potentiometer for Military Use—1 lakh nos p.a.—(NA)

M/s Radio & Electrical Mfg Co Ltd: Mysore Road Bangalore.—(Bangalore-Karnataka)—DC & AC type Paper Capacitors—0.6 mill nos p.a—(SE)

Transportation

M/s India Tube Mills & Metals Industries Ltd; Agra Road, Vikhroli, PO Tagore Nagar. Bombay.—(Bombay-Maharashtra)—Pressure Vessels including Spheres—600 tonnes p.a.—(NA)

M/s Bharat Spring (Pvt) Ltd: 11-C, Benham Hall Lane, Girgaum, Bombay.—(Bombay-Maharashtra)—Automobile Lea Springes & Assemblies—4,800 tonnes p.a.—(SE)

Industrial Machinery

M/s Elecon Engineering Co. Ltd; Vallabh Vidyanagar, Gujarat.—(Vallabh Vidyanagar, Gujarat)—Inhaul & Outhaul Beetle Charger. Winch Type Wagon Marshalling Equipment; Coupling Charger; Fan Wagon Axle Mule: Pig Type Wagon Marshalling Equipment; Barney Type Wagon Marshalling Equipment; Buffalo Type Wagon Marshalling Equipment; Traversers—'through' and 'back Shunt' type; total production worth Rs 50 lakhs p.a.—(NA)

M/s Dalal Engineering (P) Ltd; Briton Nos 2, off: Napean Sea Road, Bombay-6.—(Bombay-Maharashtra)—*Jet Dyeing Plants*—10 plants valued at Rs 45 lakhs p.a.—(NA)

M/s Pressteel & Fabrications (P) Ltd; Sanatnagar Hydera-

d.—(Krishna Distt: Andhra Pradesh)—Hydraulic Truck ounted Cranes (5 tonnes capacity)—75 nos; Self Propelled draulic Cranes (8 tonnes capacity)—75 nos p.a.—(NU)

Scientific Instruments

M/s The Accurate Engg Pvt Ltd; 57 Hadapsar Industrial tate, Poona-13.—(Maharashtra)—Vernier Calipers & Allied spection Equipments incorporating Vernier Scales—Rs 15,00 khs p.a; Micrometers of Various Types—Rs 15 lakhs p.a; ectronic Comparators & Accessories—Rs 3 lakhs p,a; Pneuatic Gauges & Accessories—Rs 3 lakhs p.a; Limit Thread auge such as Thread Plug, Ring, etc—Rs 8 lakhs p.a; Mechical Dial Indicator Gauges, their Accessories and other Inection Equipments with Dial Gauges etc—Rs 2 lakhs—(NA)

Chemicals (Other than Fertilizers)

M/s The Fertilizer Corpn of India Ltd; Trombay Unit, Mallli, Chembur, Bombay.—(Trombay, Bombay-Maharashtra) -*Dimethyl Eiher*—825 tonnes p.a —(NA)

M/s Cryogenics India Ltd; 134, Canning Street, Calcutta-1. Ghaziabad, UP)—Oxygen Gas—0.90 Mill c.m: Acetylene Gas -0.20 Mill c.m.—(NU)

Shri Mohan Gobindram Mukhi, Sukhmani-2, Flat 69, 5th loor, Bamanji Petit Road, Bombay-36.—(Bombay-Maharashra)—Oxygen Gas—0.45 M C.M. Dissolved Acetylene Gas— .10 MCM Nitrogen Gas—0.18 MCM—(NU)

Shri Mohinder Kumar A-6, Model Town, Delhi-9.—(Sahiabad-Meerut, UP)—Oxygen Gas—0.45 MCM; Dissolved Acetylene Gas—0.18 MCM—(NU)

M/s Southern Nitrechemicals Ltd; 3/202, Govindappa Naick Street, Madras.—(Saidapet, Chingelput, Tamil Nadu) —Nitric Acid (100 per cent)—7,000 tonnes p.a; Sodium Nitate (100 per cent)—5,000 tonnes p.a.—(NU)

M/s Oswal Vanaspati & Allied Industries, G T. Road, Ludhiana.—(Ludhiana Punja)—Oxygen—0.28 MCM—(NA)

Shri C.M. Arya, (M/s Arya Chemicals Ltd), Economic House, Ist Flant Rood, Chinch Bunder, Bombay.—(Aurangabad Maharashtra)—*Patassium Chlorate*—3,650 tonnes p.a.— NU)

Dye-stuffs

M/s Amar Dye Chem Ltd; Rang Udyan, Sitladevi Temple Road, Mahim.—(Bombay-Maharashtra)—Reactive Dyres (Vinyl Sulphone Type)—250 to 500 tonnes p.a—(SE)

Drugs & Pharmaceuticals

M/s The Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay.—(Bombay-Maharashtra)—Dilaxamide Furcate—2.5 tonnes p.a: Cyclasyn Tablets—within the approved capacity for formulations,— (NA/SE)

Textiles

M/s Bengal Textile Mills, Ltd; Cassim Bazar (E. Rly.), West Bengal—(Cossimbazar, West Bengal)—*Cotton Yarn*— 25,000 spindles—(SE)

M/s Bengal Fine Spg. & Wvg. Mills No. 2, Kataganj, Distt: Nadia.—(Nadia, West Bengal)—Cotton Yarn—25,000 spindles—(SE)

M/s Edward Mills, Beawar, (Rajasthan), c/o M/s National Textile Corpn. Ltd; 8th Floor, Surya Kiran Building, 19-Kasturba Gandhi Marg, (Curzon Road, New Delhi—(Beawar-Rajasthan)—Cotton Yarn—25,000 spindles—(SE)

M/s Gaya Cotton & Jute Mills, Gaya, (Custodian) M/s National Textile Corpn. Ltd; 8th Floor, Surya Kiran Building, 19-Kasturba Gandi Marg, Curzon Road)? New Delhi—(Gaya, Bihar)—Cotton Yarn—25,000 spindles—(SE)

M/s Anantapur Cotton Mills, Tadapatri, (Andhra Pradesh), C/o M/s National Textile Corpn. Ltd; 8th Floor, Surya Kiran Building, 19-Kasturba Gandhi Marg, (Curzon Road), New Delhi.—(Tadapatri-Secunderabad, A.P.)—Cotton Yarn—25,000 spindles—(SE)

M/s Dayalbagh Spinning & Weaving Mills, Amritsar.—(Amritsar-Punjab)—Cotton Yarn—25,000 spindles—(SE)

M/s Shree Mahalkshmi Cotton Mills, Palta Custodian, M/s National Textile Corpn. Ltd; 8th Floor, Suryakiran Building, 19, Kasturba Gandhi Marg, New Delhi. (24-Parganas, West Bengal)—Cotton Yarn—25,000 spindles (SE)

Paper & Pulp

Shri G, Y. Bhandara, P.O. Box 283, Margao-Goa.—M/s Goa Paper & Pulp Products Ltd.—(Margao-Salcete, Goa)—*Pulp Paper*—3,500 tonnes p.a; Boards—3,000 tonnes p.a.—(NU)

M/s Shree Hanuman Sugar & Industries Ltd: 12-Government Place East, Calcutta-1.—(North Bihar-Bihar)—Pulp—6,000 tonnes; Writing & Printing Paper—6,000 tonnes—(NU)

Shri Suresh Sharma, S-492, A, Greater Kailash, New Delhi.—(M/s Sterling Paper Mills)—(Hoogly-West Bengal)= Pulp—6,000 tonnes; Packing & Wrapping Paper—6,000 tonnes—(NU)

M/s Industrial Oxygen Co. (P) Ltd; A/S-A/41, Connaught Place, New Delhi.—(Kota Rajasthan)—Writing & Printiug Paper—6.000 tonnes p.a—(NU)

Shri G. Visweswar, 6-2-977/1, Khairatabad, Hyderabad.—(Gudivada, Krishna, A-P)—Pulp—3,000 tonnes p.a; Wrapping & Packing Paper—3,000 tonnes p.a—(NU)

M/s Gangappa Krishnamurthy Paper & Boards Ltd; 65/1, Gollavar Agraharam Road, Madres-21.—(Walaja, North Arcot, T-Nadu)—Pulp—6,000 tonnes: Paper Board & Corrugating Media—6,000 tonnes—(NU)

M/s Neeraj Nayan Kanoria, c/o North Bihar Sugar Mills Ltd; India Exchange, 3rd Floor, Calcutta-1.—(Champaran-Bihar)—Pulp—3,000 tonnes; Wrapping & Packing Paper—3,000 tonnes—(NU)

Shri P. T. Shah, 41/AC, Suren Road, Andheri (East), Chakala, M.I.D.C. Post, Bombay. (Vani Paper Mills Ltd,)—(Bulsar-Gujarat)—Pu!p—6,000 tonnes p.a; Wrappi g & Pack-Paper—6,000 tonnes p.a—(SE)

Shri Brij Mohan Labroo, A-11/7, Vasant Vihar, New Delhi.—(Kunigal, Bangalore, Karnataka)—Pulp—6,000 tonnes p.a; Writing & Printing Paper—6,000 tonnes p.a(NU)

Shri A. K. Bagla, N-33, Panchshila Park, New Delhi.—(Kota-Rajasthan)—Writing & Printing Paper—6,000 tonnes p.a—(NU)

Shri K. R. Dadyburjor, Promoter: M/s Alasson Paper Ltd; Proposed) 147, Mahatma Gandhi Road, Fort, Bombay.—(Ratanagiri-Maharashtra)—Pulp—6,000 tonnes p.a; Packing & Wrapping Paper—6,000 tonnes p.a—(NU)

Shri Gopaldas Gupta. M/s Marathawada Paper Mills Co., 230-D.N. Road, Fort, Bombay.—(Paithan. Aurangabad, Maharashtra)—Pulp—6,000 tonnes p.a; Wrapping & Packing Paper 6,000 tonnes p.a—(NU)

Food Processing Industries

M/s The Meghalaya Industrial Development Corporation Ltd; Room No. 33, Meghalaya Addl.Sectt. Bldg; Shillong.—(Khasi Hills-Meghalaya)—Wheat Products—18,000 tonnes p.a—(NU)

Vegetable Oils & Vanaspati

M/s Navbharat Banaspati & Allied Industries, Deraha, Punjab.—(Ludhiana, Punjab)—Vanaspati (for change of location from Doraha to Ludhiana in Punjab)—(Change of Location)

Rubber Goods

Shri G. T. Dembla, 232, Arun Chambers, Tardeo Road, Bombay. (M/s Precision Rubber Industries) (Pvt. Ltd.)—

(Thana, Maharashtra)—Synthetic Rubber Textile Cots—55,000 metres p.a; Synthetic Rubber Textile Aprons—1.2 lakh metres —(NU)

Glass

M/s Atherton Glass Works Ltd; 21-R.N. Mukherjee Road, Calcutta-1.—Hosur, Dharampuri, Tamil Nadu)—Glass Bottles —18,000 tonnes p.a—(NU)

Ceramics

M/s E.I.D. Parry Ltd; 'Dare House', Post Box No. 12, Madras-12.—(Ranipet, North Arcot, Tamil Nadu)—Sanitary *Ware*—4,920 tonnes p.a—(SE)

Cement & Gypsum Products

The U. P. State Cement Corpn. Ltd; Churk, Mirzapur (U.P.)—(Chunar/Dalla-U.P.)Blast Furnace Stag Cement (to be manufactured at Chunar Spllt locatian plant;—16.8 lakh tonnes p.a; Clinker (To be manufactured at Dalla Plant)—8.00 lakh tonnes p.a—(NU)

M/s Mechanical Packing Industries (P) Ltd; Parai Panchayat Road, Andheri (East), Bombay.—(Bombay-Maharashtra)—Asbestos Yarn—500 tonnes p.a—(NA)

Drugs & Pharmaceuticals

M/s Chemical Indust.ial & Pharmaceutical Laboratory Ltd; Byculla, Bombay.—(Byculla, Bombay, Maharashtra)—Bulk Drug Xanthinol Nicotinate & Formulation Thereof—3 tonnes p.a—(NA)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Shri Naresh Kumar Garg, 13/7, Mathura Road, Faridabad.—(Alwar-Rajasthan)—High Alloy Steel Castings—1,000 tonnes p.a—(NU)

Shri Prem Sagar Garg, Prop. Ganga Steel India., Bhadri Nagar, Paonta Sahib, Himachal Pradesh.—(Sirmur-Himachal Pradesh)—Alloy Steel Castings (including Stainless Steel Castings)—360 tonnes p.a—(NU)

M/s Andhra Pradesh Industrial Development Corpn. Ltd; B-1-174, Fateh Maidan Road, P. B. No. 13, Hyderabad.—(Andhra Pradesh)—Manganese Steel/Alloy Steel Castings—1260 tonnes p.a; Centrifugal Alloy Steel Castings—500 tonnes p.a.—(NA)

M/s Somani Steels Ltd; Somani Bhavan, 51/27, Naughara Nayaganj, Kanpur,—(Unnao-Uttar Pradesh)—Alloy Steel/High Alloy Steel Castings—1,000 tonnes p.a—(NA)

Shri Kalyan Kumar Bose, 9-A, Valmiki Street, Madras.—(Hosur, Dharmapuri, T-Nadu)—S.G. Iron Castings—750 tonnes; Ni-Hard Castings—500 tonnes (NU)

Electrical Equipments

Shri K. Vijay Rao, 7-Lodhi Estate; New Delhi.—(Santa Cruz EPZ-Maharashtra)—To 3 Power Transistor, Bridge Rectifiers & Plastic Rectifiers. Total : 8 million units p.a—(NU)

M/i Nippon Electronics (India) Pvt. Ltd; Post Bag No. 1905, Bull Temple Road, Bangalore.—(Bangalore-Karnataka) —Plastic Film Capacitors—25 mill. nos. p.a—(SE)

M/s Dialectro Magnatics Ltd; Chandanagar, Palghat.—(Ponnani, Malapuram, Kerala)—Ceramics Capacitors—25 mill. Nos. p.a—(NU)

M/s International Mag. Electronics, 1155 Sector 8-C, Chandigarh.—(Chandigarh Admn.)—Magnetic Heads—1 lakh nos. p.a—(NU)

M/s Kerala State Electronics Development Corpn. Ltd; 1133 & 1134, Sasivihar, Peroorkada, Trivandrum.—(Kerala)-Eleetronic Printers—5,000 nos. p.a—(NU)

Shri P. R. Ajwani, 72-Ring Road, Lajpat Nagar-III, Ne Delhi.—(Delhi)—Metallized Plastic Films Papers—15 tonn p.a—(NU)

M/s Televista Instruments Pvt. Ltd; 26, Community Cen tre, East of Kailash, New Delhi.—(Delhi)—Pattern & Functio Generators—200 nos. p.a—(NU)

Shri A. Gangadhar Rao, ( )—Metallised Plas tic Films & Papers—15 tonnes p.a( )

M/s Cutler Hammer India Ltd; 20/4. Mathura Road, Far dabad.—(Faridabad-Haryana)—Brakes, De-Magnetic Sho type—40 nos. p.a; A.C. Magnetic Across the Line Starters—1,000 tonnes Push Buttons—5,000 tonnes; Limit Switches—5,000 tonnes—(NA)

Shri R. Ramachandran, Project Manager. KENCOS Ltd Adoor. Quilon.—(Kunnathur. Quilon. Kerala)—Silver Mic *Capacitors*—5 mill. nos. p.a; Miniature Potentiometers—1 mil nos. p.a—(NU)

M/s Best & Co. Pvt. Ltd; 13/15, North Beach Road, Mad ras-1.—(Madras-Tamil Nadu)—Train Lighting Generator (Brushless Alternatives)—2,000 Units p.a—(NA)

M/s Mahindra & Mahindra Ltd; Gateway Bldg; Apoll Bunder, Bombay-1.—(Bombay-Maharashtra)—Wire Woun Resistors (Professional Grade)—10 mill. nos. p.a—(NA)

M/s Lamp Caps & Filaments Ltd; 32, Raghunath Dadaj Street, Fort, Bombay.—(Nasik-Maharashtra)—Molybdenun Mandrel Wire & Support Wire—2,000 Kgs. p.a—(NA)

M/s Philips India Ltd; Shivsagar Estate, Block 'A' Dr Annie Besant Road, Bombay.—(West Bengal)—Inter-Commu nication Apparatus—12,000 nos. p.a—(NA)

Shri M. K. Sankarnarayanan, 47-B, Second Avenue, 47-I Indira Nagar, Madras.—(Ramnad-Tamil Nadu)—Hard Ferrit Magnets—50 tonnes p.a—(NU)

Shri S. Agarwala, 2-Ganesh Chandra Avenue, Calcutta.—(West Bengal)—Epoxy Circle Pin Transistors—240 lakh pcs To—92 Package Transistor—480 lakh pcs. p.a; Dual-in-Line Package (Transistor (PDLP)—240 lakh—(NU)

M/s English Electric Co. of India Ltd; Pallavaram, Mad ras.—(Pallavaram, Chingleput, Tamil Nadu)—Frequency Coun ters—50 nos.; Electronics Voltmeters—150 nos.—(NA)

M/s U.P. Electronic Corpn. Ltd; 8-Vivekanand Marg Lucknow.—(Kanpur/Rai Barielly-U.P.)—Plezo Electric Cry stals. Frequency Range of 3 KHZ to 100 MHZ)—1.2 lakh nos.—(NU)

M/s Gemini Automotive Parts Co. Pvt. Ltd: Maker Bhavan 21-New Marine Lines, Bombay.—(Maharashtra)—Dry Type Distribution Transformers upto 32 KV Power—5 lakh KBA p.a—(NU)

M/s Oriental Science Apparatus Workshop, Jawahar La Nehru Marg, Ambala Cantt.—(Ambala-Haryana)—Electroni Teach aid—for a value of Rs 10 lakhs—(NA)

Telecommunications

M/s Bihar State Industrial Development Corpn. Ltd; Ban dar Bagicha, Patna.—(Bihar)—Digital Multimeters—500 nos p.a; Digital Frequency Meters—500 nos. p.a; Digital L.C.R Bridge—500 nos. p.a—(NA)

Transportation

M/s Punjab State Industrial Development Corpn. Ltd S.C.O., 54, 55 & 56, Sector-17, Chandigarh.—(Moga, Farid kot, Punjab)—Industrial Chains including Automobile Timin Chains—10 lakh meters p.a—(NU)

M/s Haryana State Industrial Development Corpn. Ltd

)., 4 & 5, Sector-17-a, Chandigarh.—(Haryana)—Single der Fuel Injection Pumps—25,000 nos. p.a; Nozzle Hol- —35,000 nos: Nozzles—3,50,000 nos; Elements—3,50,000 Delivery walves—3,50,000 nos; Fuel Pump Testers—500 p.a—(NU)

Industrial Machinery

M/s Bharat Heavy Electricals Ltd; 18-20, Kasturba Gandhi g, New Delhi.—(Delhi)—Diesel Electeical Drilling Rings— s. p.a—(NA)

M/s Suessen Textile Bearings Ltd: National Highway No. Post O.N.G.C., Baroda.—(Baroda-Gujarat)—Top Arms & on Guiding Devices for Ring Frames—9,00,000 sets p.a; Rollers for Ring Frames—30,00,000 nos. p.a; Spindle In- s—15,00000 nos. p.a; Jockey Bulleys—3,00,000 nos. p.a; tom Roller Bearing—4,80,000 nos. p.a—(SE)

M/s K.S.B. Pumps Ltd; Bombay-Poona Road, P.O. Pimpri, ona.—(Haveli, Poona Maharashtra)—Mercury Pumps, rizontal Chemical Pumps, of Silicon C I.; Submerged otor Vertical Non-Clegging Pums, Horizontal Stuff Pumps; ndardised Horizontal Chemical Pumps of Plastic Material; gh Horse-power Submersible Pumps; Vertical Glandless emical Pumps with Flanged-on canned Motor. Total capa- y after expansion 7,500 nos. p.a—(SE)

Machine Tools

Mrs. Meera P. Chauhan, Shanti Kunj, Tejpal Road, Vile rle, Bombay.—(Bhandara-Maharashtra)—Wire Drawing amond Dies.—6,000 nos. p.a—(NU)

M/s Horstmann India Pvt. Ltd; 401, Jolly Bhavan No. 2, New Marine Lines Bombay.—(Haveli, Poona-Maharash- a)—Plain & Screw Plug Gauges—1,00,400 nos. p.a; Plain & crew Ring Gauges including Setting Masters—25,000 nos. .a—(SE)

Commercial, Office and Household Equipment

Shri Surinder Kumar, 3-Kotla Road, New Delhi.—(Farida- ad-Haryana)—Cash Registers—5,000 nos p.a; Electrically perated accounting and book-keeping Machines—500 nos .a.—(NU)

Chemicals (other than Fertilizers)

Shri R. Varahalu, E-4, Kalpana Area, Bhubneshwar-6, Orissa State.—(Orissa)—Rigid PVC Pipes—3,000 tonnes p.a.— NU)

M/s Saru Smelting (P) Ltd; Saru Nagar, Sardhana Road, Meerut.—(Uttar Pradesh)—Electroplating Anodes—200 ton- nes p.a.—(NU)

Shri D.M. Gupta, B/1, Ballygunj, Park Road, Calcutta.— (Rishra-West Bengal)—Oxygen—1.00 MCM; Argon—0.02 MCM—(NU)

M/s Ashok Rungta, Kalakar Street, Calcutta.—(West Bengal)—Oxygen—1.0 MCM—(NU)

Shri R.N. Vajpayi, Bakery Road, Calcutta.—(Rishra-West Bengal)—Oxygen—1.00 MCM; D/Acetylene—0.2 MCM—(NU)

M/s R.K. Miller & Co. (India) (P) Ltd; Netaji Subhas Road, Calcutta.—(Haldia-West Bengal)—*Oxygen*—2.9 MCM; Argon—0.06 MCM—(NU)

Shri M.P. Bhartia & Mr V.N. Kannodia, Netaji Subhas Road, Calcutta.—(Dankuni-West Bengal)—Oxygen 2.9 MCM; D/Acetylene—0.2 MCM; Argon—0.06 MCM—(NU)

Shri Laxmi Narain Gupta, A/2, 91-Safdarjang Enclave. New Delhi.—(Kerala)—Refrigrant Gases—1,200 tonnes p.a.— (NU)

M/s Albright, Morarji & Pandit Ltd; Raj Mahal, 3rd Floor, Veer Nariman Point, Bombay-20.—(Bombay-Maharashtra)— Sulphuric Acid—45,000 tonnes—(NA)

Shri Sheshank Prasad, 11-Mandevelle Garden, Calcutta-19. —(Purulia-West Bengal)—Oxygen—1.0 MCM; D/Acetylene— 0.2 MCM—(NU)

M/s Paper Corrugation & Packing Pvt Ltd; Pace House, 74-B, Government Industrial Estate, Kandivli (West), Bombay. (Tarapur, Thana, Maharashtra)—Sodium Hydrosulphite—1,500 tonnes p.a.—(NU)

Shri Suresh Shantilal Patel, 'Sanskar', Laxmi Society, Elli-s Bridge, Ahmedabad.—(Olpad, Surat-Gujarat)—Chloromethanes —6,000 tonnes.—(NU)

Shri Bhagwati A Devidayal, (M/s Vivid Pharmaceuticals Pvt Ltd) Jupitor Apartments, Bombay.—(Kalol, Panchmahal, Gujarat)—Alpha Naphthalene Acetic Acid—100 tonnes p.a; Formulations based on Alpha Naphthalene Acetic Acid—50 per cent of the basic chemical.—(NA)

Drugs and Pharmaceuticals

M/s Excell Industries, 184-87, Swami Vivekananda Road, Jogeshwari, Bombay.—(Bombay-Maharashtra)—Endosalfan Technical—1200 tonnes p.a.—(NU)

M/s Chemical, Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasie Road, Byculla, Bombay.—(Bombay-Maharashtra)—Sabutamol—100 Kgs p.a.—(NA)

M/s The Chemical, Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasie Road, Byculla, Bombay.—(Bombay-Maharashtra)—Clomiphene Citrate—500 Kgs p.a.—(NA)

M/s The Fairdeal Corporation (P) Ltd; Lakshmi Building, Sir P.M. Road, Fort, Bombay.—(Bombay-Maharashtra)— Mucoris-X Nasal Drops—5,000 Litres p.a.—(NA)

M/s Fairdeal Corpn. (P) Ltd; Lakshmi Building Sir P.M. Road, Fort, Bombay.—(Bombay-Maharashtra)—Otek-P-Ear Drops—1,250 Litres p.a.—(NA)

M/s The Chemical, Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasie Road, Byculla, Bombay.—(Bombay-Maharashtra)—Fenfluramine Hydro Chloride—300 Kgs p.a.— —(NA)

Shri Ammar G. Ayaz, 317, Jolly Bhavan No 1, 10-New Marine Lines, Bombay.—(Roha, Kolaba, Maharashtra)— P-Amino Benzoic Acid—300 tonnes p.a; Procaine—75 tonnes; Brocaine—100 tonnes—(NU)

Shri P.C. Sharma, 3622, Netaji Subhas Marg, Delhi-6.— (Bahadurgarh-Rewari-Rohtak/Mahendargarh Haryana)— Phenylbutazone—25 tonnes; Ethambutol HCL—5 tonnes— (NU)

M/s Haryana Chemical & Allied Industries, 7-Narendra Place, Parliament Street, New Delhi.—(Ballabgarh-Gurgaon, Haryana)—Aspirin—500 tonnes; Acetic Acid (Bye-product) —140 tonnes—(NA)

Textiles

M/s Himachal Shoddy Mills Ltd; C-104/102, Safdarjang, Development Scheme, New Delhi.—(Himachal Pradesh)— Woollen Shoddy Yarn—21 looms—(NA)

Shri Duli Chand M. Jain, 430 'Ashoka' 15th Road, Khar, Bombay.—(Hissar, Haryana)—Industrial Fabrics—200 Nos looms—(NU)

M/s Aaydee Corporation, Court Chambers, 6th Floor, New Marine Lines, Bombay.—(Marol, Andheri, Bombay-Maharashtra)—Readymade Garments—4.5 lakh nos p.a.—(NU)

Shri K.L. Dalal, Sashidhar, 5th Floor, Dr Rejabhal Patel Road, Off. Warden Road, Bombay.—(Thana-Maharashtra)— Elastic Tapes/Webbings—9 Mill in inch Yds; Rubber Covered Yarn (Covering by cotton yarn)—50 tonnes.—(NU)

M/s Gokak Patel Volkart Ltd; Gokak Mills Division, For-

bes Building, Charanjit Rai Marg (Home Street), Bombay.—(Gokak Falls, Belgaum, Karnataka)—Cotton Cycle Tyre Cord —12 nos of cycle tyre cord looms for the manufacture of 5,660 M. Tonnes p.a. of Cotton Cycle Tyre Cord—(SE)

M/s Indian Narrow Fabrics Company, Saki Naka, Saki Vihar Road, Bombay.—(Saki Vihar, Bombay, Maharashtra)—Elastic Tapes/Webbings—10.32 Million Inch Metres p.a.—(SE)

Paper Pulp including Paper Products

M/s I.T.C. Ltd; Virginia House, 37-Chowringhee, Calcutta.—(Bhadrachalam, Khammam, Andhra Pradesh)—Plup—50,000 tonnes p.a: Paper Board—30,000 tonnes p.a; Writing & Printing Paper—20,000 tonnes p.a.—(NU)

Dr Biraja B. Paul, 5th Floor, Flat No 13, 239-A, Byranmji. Jeejibhoy Road, Bandra, Bombay.—(M/s B.B. Fodder Yeast Ltd) (Aurangabad-Maharashtra)—Yeast—4,800 tonnes p.a.—(NU)

Food Processing Industris

M/s Sheba Fisheries Ltd; Niranjan, No 2, Netaji Marg, Ellisbridge, Ahmedabad-6.—(Veraval, Junagadh, Gujarat)—Processed Marine Products—3,000 tonnes p.a.—(NU)

Vegetable Oils & Vanaspathi

M/s Purohit & Company, New Cotton Market Road, Nagpur-2.—(Chandrapur-Maharashtra)—Cotton Seed Oil—20,000 tonnes in terms of Cottonseed p.a.—(NU)

M/s Madanapalle Spinning Mills Ltd; 'Little Hut', Tekkamitta, Nellore-3.—(Nellore-Andhra Pradesh)—Cotton Seed Oil —30,000 tonnes in terms of Cottonseed p.a.– (NU)

Shri V. Lakshminarayana Rao, 3-6-524, Himayatnagar, Hyderabad.—(Deccan Oil Products Ltd) (Kodad, Huzurnagar, Nalgonda, Andhra Pradesh)—Cotton Seed Oils—30,000 tonnes in terms of cottonseed p.a.—(NU)

Leather, Laather Goods & Pickers

M/s United India Shoe Corporation, 18-A Vepery High Road, Periamet, Madras.—(North Arcot-Tamil Nadu)—Leather Footwear—12 lakh pairs p.a; Leather Shoe Uppers—8 lakh pairs p.a.—(SE)

Glue And Gelatin

Shri A. Shrinivas, Mg Dir M/s Buywel Enterprises, 3-3-43/6 Kachiguda, Hyderabad.—(Kovvur, West Godavari, Andhra Pradesh)—Gelatin—300 M T; Ossein—1,200 M.T; Dicalcium Phosphate (By-Product)—2,100 M.T.—(NU)

M/s Shaw Leiner Ltd; 4-Bankshall Street, Calcutta-1.—(Patan, Jabalpur, MP)—Gelatine (Pharmaceutical Grade)—1,800 M.T; Ossein—5,000 M.T; Dicalcium Phosphate—10,800 M.T; Bone Meal—3,000 M.T.—(SE)

Change in Names (Owners or Undertakings

(Information pertains to particular licences only)

From the Ganga Sugar Corporation Ltd—to—M/s Gangeshwar Ltd; Deoband, Distt, Saharanpur (UP)

From the Thandava Co-operative Agricultural & Industrial Society Ltd—to—the Thandava Co-operaitve Sugar Ltd.

From Shri Chandra Kant Manganlal Sanghvi, Bombay.—to—M/s Sanghi Steels Limited, Bombay.

From The Associated Textile Engineers, Bombay.—to—M/s Stovec Screens India Ltd.

M/s Gujarat State Federation of Cooperative Spinning Mills Ltd; Ahmedabad.—to — Kutch District Cooperative Spinning Mills Ltd; Butch (Kutch.

From M/s Power Cables (P) Ltd; Bombay.—to—M/s Apar Pvt Ltd; Bombay.

From The Gujarat State Federation of Cooperative Spinning Mills Ltd: Ahmedabad.—to → Sarvodaya Cooperative Spinning Mills Patdi, Surendranagar.

From M/s Indian Detonators Ltd,—to—M/s IDL Chemic Ltd; New Delhi.

From M/s Uttar Pradesh State Textile Corporation Lt Kanpur.—to→M/s Uttar Pradesh State Spinning Mills Co. (N 1) Ltd; Kanpur (UP)

From M/s Uttar Pradesh State Textile Corporation Lt Kanpur.—to—M/s Uttar Pradesh State Spinning Mills Co (N 1) Ltd; Kanpur (UP)

From M/s Uttar Pradesh State Textile Corporation Lt Kanpur.—to—M/s Uttar Pradesh State Spinning Mill Co (N 1) Ltd; Kanpur (UP)

From Shri Kisto Kumar Saha, Calcutta.—to—M/s Sal Soshin Electronics Pvt Ltd; Bombay.

From M/s Power Cables Pvt Ltd; Bombay.—to—M/s Ap Pvt Ltd; Bombay.

From M/s R.K. Machine Tools, Ludhiana.—to—M/s R.K Machine Tools Pvt Ltd; Ludhiana.

From Shri D.P. Asar, c/o M/s Sunderdas & Co, Bombay.—to—M/s Novepan India Limited, Hyderabad.

Licences Revoked, Lapsed or Surrenderd

(Information pertains to particular licences only)

M/s New Bemco Engineering Products Pvt Ltd; Belgaum.—Hydraulic Press Brakes, Hydraulic Guillotine Shears & Combined Press Brakes, etc.—(Revoked)

M/s China Silk Mills, Surat.—Cancelled.

M/s R.N. Gupta & Co, Ludhiana—Stainless Steel Tubes Stainless Steel Tanks & Drums.—(Revoked)

Letters of Intent Cancelled, Revoked, Lapsed or Surrendered

(Information pertains toparticular letters of only)

M/s Ishwar Industries Ltd; P.O. Ishwar Nagar, New Delhi.—High Grog Local Fire-Bricks and High Aluminia Fire Bricks.—(Lapsed)

Shri Sree Gopal Rajoria. 1/2, Rowland Road, Calcutta-27.—Beta Nephthol.—(Cancelled)

M/s U.P. Machine Tool Co, A-10, Industrial Area No 3, Meerut Road, Ghaziabad.—Bicycle. Part—(Cancelled)

M/s Western Maharashtra Development Corpn Ltd; Indian Red Cross Society Building, Poona.—Metal Working Machines.—(Lapsed)

M/s Searsole Mining Industries Pvt Ltd; 23-Mukhram Kanoria Road, Howrah. Lapsed

Shri Vipin N. Chandha, 1/15, Shantiniketan, New Delhi.—Electric Adding Machine—(Cancelled)

M/s Haryana Wires c/o M/s Bombay Premier Trading Co. Bombay.—Enamelled Winding Wires.—(Lapsed)

Smt B. Girija, H. No. 7-1-1054, Shankar Vadi, Secunderabad.—Electrical Steel Stampings.—(Lapsed)

Shri V.J. Jayaraman, 9-A.T.T. Colony, Coimbatore-18.—Two-for-One Twisters.—(Cancelled)

M/s Allied Engineering Corp. Salem-7—Modified Version of Passenger Cars.—(Lapsed)

M/s Allied Engineering Corpn., Salem-7.—Hadraulic Equipment—Lapsed.

Shri Chhatrapati Sahakari Karkhana Ltd; Poona, Maharashtra.—Sugar—(Dormant)

RECORDS AND STATISTICS

etroleum and hemicals: a eview

E REPORT of the ministry of troleum and Chemicals for 74-75 traced the history of e sharp rise in the prices of ude oil since October, 1973 d also the efforts being made this country to increase indinous production. Because the mounting cost of crude l imports, a number of steps ere taken by the government the year under report to rb the consumption of petleum products for nonsential uses.

Whereas the indigenous roduction of crude oil is round 7.5 million tonnes, the lanners have estimated that he demand for petroleum products would rise to about 32 nillion tonnes by the end of he fifth five-year Plan period. Consequently, exploration actiities had been intensified. The eserves identixed so far were not found to be adequate to neet the domestic demand ully. The Oil and Natural Gas Commission was pinning ts hope on exploration in the off-shore areas.

Reviewing the progress made in regard to the production of fertilisers, the ministry painted a hopeful picture. It was expected that with the completion of the projects already under implementation and some of those approved for implementation in the public, private and cooperative sectors, a total capacity of about 5.4 million tonnes of nitrogen and 1.4 million tonnes of P_2O_5 would have been developed by 1978-79, the terminalyear of the fifth Plan period.

Important excerpts from the report are given below:—

The prices of crude oil which increased steeply in October 15, 1973, following the decision taken by the Gulf oil producers at Kuwait on October 15, 1973, were further raised by another 130 per cent from January 1, 1974, by the Organisation of Petroleum Exporting Countries (OPEC). The result of these developments was that the price of crude imported into India in January, 1974, was on an average about \$10/bbl as against \$2/bbl prevailing at the beginning of 1973.

Steady Increase

Throughout 1974, while the posted prices remained unchanged (till the end of October), there was a steady increase in the actual prices charged by the major oil companies, *inter alia*, on account of increase in royalties/taxss to be paid to the oil producing countries as a result of the various decisions of OPEC and increase in their participation. These changes were decided by OPEC at the Quito meeting in June, 1974, Vienna meeting in September, 1974, the Abu Dhabi decision of three Gulf countries in November 1974, and Vienna meeting of OPEC in December, 1974. OPEC wanted to increase the "government take" of oil producing countries and reduce the margin of profit of the major oil companies, which on account of the higher price of the crude sold by the national oil companies had become sizeable during the early part of 1974.

At the Abu Dhabi meeting held in November, 1974, Saudi Arabia, United Arab Emirates and Qatar decided to lower the posted prices by 40 cents per barrel, but at the same time, raised the rate of royalty and income tax applicable to the oil companies. The result was that while the price of crude supplied by the multinational oil companies increased further, the price of the oil supplies by the national oil companies of the oil producing countries registered a slight fall. This decision was endorsed in principle by the Vienna meeting of OPEC held in December, 1974.

Phenomenal Rise

The overall position during 1974 was that the prices of crude oil supplies by the multinational oil companies went up by over 11.50/bbl in so far as India was concerned. A new structural change in crude oil pricing has now emerged. The main features are that the oil producing countries have increased their government take, and the gap between the revenue per barrel from the major oil companies and the selling price per barrel of the national oil companies has been narrowed down. The selling price of the national oil companies on direct sales to various customers now set the ceiling of the prices beyond which the multinational oil companies would not be able to raise their prices; thus a single price has virtually come into being.

The national oil companies of the oil producing countries have been increasing their share of marketing crude oil hitherto dominated by the multinational oil companies. India has also increased direct purchases from national oil companies. While during 1973, direct import from the national oil companies accounted for only about one-third of our total imports, during 1974, the share of direct supplies from the national oil companies increased to over half of the total imports. As a result, the import of crude oil by private oil companies has been going down steadily.

The main difficulty now is not of the availability of crude oil, but of the constraint in foreign exchange resources to pay for the imports at high costs. The imports of crude oil and petroleum products in 1974-75 would be of the order of 13.9 million tonnes and 2.7 million tonnes respectively, involving a foreign exchange outgo of about Rs 1130 crores.

During the year 1974, the indigenous production of crude was about 7.50 million tonnes. In addition to intensifying the efforts to maximise the production of indigenous crude, a number of other steps have also been taken to meet the situation created by the steep increases in oil prices. These include the adjustment of yield patterns of the refineries to get the maximum yield of middle distillates, adjustment in production specifications, encouraging effiefficiency in the use of fuels and export of surplus products.

Curbing Consumption

Steps were also taken to curb the consumption of petroleum products for non-essential uses. The measures taken include:

(i) Through a steep price rise, the consumption of motor spirit has been brought down by about 21.5 per cent in 1974 as compared to 1973. This has made available sizeable quantities of naphtha for fertilizer industry and spot exports.

(ii) The consumption of lubricants has gone down about by 22.2 per cent as a result steep price increase.

(iii) The consumption of bitumen has been reduced by increase in price and reduction for in states budget allocations for the roads programme.

(iv) Naphtha for use in

petrochemical plants is priced higher than for use in fertilizer plants.

(v) Duty concession on L.D.O. for utility power houses has been withdrawn.

(vi) Use of diesel oils for generating power for festive purposes has been prohibited.

(vii) Cuts have been made in the allocation of kerosene oil to the states.

(viii) A compulsory efficiency cut of 10 per cent has been made on priority industries for furnace oil, and 20 per cent on non-priority industries. A committee under the chairmanship of the secretary and Director-General of Technical Development is also administering furnace oil allocations to industries. A separate quota of furnace oil has also been given to the states for making supplies to small scale industries and state public Undertakings which are not registered with any central sponsoring authorities.

As a result of these measures, substantial reduction in the consumption of several products was achieved in 1974.

General Revision

There was a general revision of the prices of petroleum products effective from March 2, 1974. The prices were linked to the crude price of $8.48 per barrel; i.e. the weighted average prices of imported and indigenous crude oil. The indigenous crude oil is priced at an equivalent of $4.58 per barrel effective from August, 1974, including an Oil Development Cess of Rs 60. In the revision of product prices, the impact on the prices of HSDO, SKO and LPG was kept at a low level, and parity in the prices of HSD and kerosene was maintained. The prices of certain petroleum products were further revised from September 18, 1974.

The indigenous production of crude oil is of the order of 7.5 million tonnes representing an increase of about half a million tonnes over the previous year. The demand for petroleum products by the end of the fifth Plan period has been estimated to be of the order of 32 million tonnes. On the other hand, the two oil exploring agencies, namely, Oil and Natural Gas Commission and Oil India Limited have so far discovered a total of about 189 million tonnes of recoverable reserves, and have already given a cumulative production of about 72 million tonnes leaving a balance of about 117 million tonnes. The available oil reserves are not adequate to meet the domestic demands fully. Intensification of efforts to add to our crude oil reserves substantially and stepping up the rate of crude oil production as speedily as possible has, therefore, become a matter of the highest national importance and urgency.

Joint Efforts

The basis for the ONGC's perspective plan for oil exploration and production during the current decade is the joint techno-economic plan which was prepared with the assistance of Russian experts. The current fifth five-year Plan has also been formulated on that basis, according to which, the ONGC's annual rate of production is expected to go up to 8.64 million tonnes by the end of fifth Plan period. With the Oil India Ltd., (OIL) producing crude at the rate of about three million tonnes per annum, our indigenous production will be of the order of 11.64 million tonnes during the terminal year of the fifth Plan. Further, at least 70 to 100 million tonnes of additional recoverable reserves are also expected to be established during the fifth Plan period.

Not merely are the efforts at oil exploration in the onshore areas being intensified but such efforts are being extended to the continental shelf areas as well in a big way. ONGC's mobile drilling platform, Sagar Samrat, has already drilled three well in the Bombay High structure and oil has been found in all the three wells. The third well, after acidisation flowed oil at the rate of about 5,000 barrels per day. Thus, the third well which has been drilled about 15 kms to the west of the discovery well, has greatly enhanced the oil potential of the Bombay High structure. It would, however, be necessary to drill a few more appraisal wells to delineate the extent of the oil accumulation. A precise estimate of the oil potential of the structure can be made only after the structure is fully delineated and assessed. The Sagar Samrat is presently drilling the fourth well on the Bombay High structure.

Intermediate Stage

Pending the assessment of the full potential of the structure and the drilling of the required number of wells, the ONGC has been asked to establish an intermediate stage of production so as to yield oil at the rate of about one million tonnes per annum during 1976-77.

ONGC has been asked to acquire two more mobile rigs for intensifying the off-shore drilling efforts. ONGC is presently conducting negotiations for acquiring two additional rigs which would improve its drilling capacities very considerably.

Orders have already been placed by the ONGC for a fully equipped seismic survey ship which is expected to be delivered shortly. It is expected that this vessel would be operational in Indian waters towards the middle of the year. This vessel would enable ONGC to conduct detailed seismic surveys of the off-shore areas and thereby speed up further exploration.

In addition to ONGC's operations in the Bombay High area, oil exploration has been taken up in two more offshore areas. Contracts on production-sharing basis have been awarded to two groups of foreign companies for exploration and production of oil in off-shore areas off the coast of West Bengal and a portion of Orissa in the Bay of Ben and off the coast of Kutc the Arabian Sea. Reconn sance seismic surveys have ready been completed in t areas and detailed seismic veys are being conducted present. After the data proce ssed and interpreted, exploratory wells are expec to be drilled in the last qua of 1975.

To enable the ONGC discharge its greatly increa responsibilities and to eq it with the required organi tional framework, governm is actively considering pro sals for its re-structuring.

Oil India Limited (OIL) the second indigenous oil p ducing agency. It is in the jo sector and has been operati in certain portions of Assa and Arunachal Pradesh. It h been producing crude oil at t rate of three million tonnes p annum and is expected to mai tain this rate of productio through the fifth Plan perio It has resumed explorato drilling at Kharsang in t Ningru area of Arunach Pradesh this year. It h a scheme to extract LP from its natural gas an the feasibility report ind cates that about 48,000 tonne of LPG could be extracted pe annum.

Refineries & Pipelines

Government took over ma jority control in the foreig owned oil company, ESSO, i March, 1974. A new publi sector company with integra ted refining and marketing operations was formed in July 1974, under the name of the Hindustan Petroleum Corporation Limited.

Refining Capacity

There are nine refineries in operation with a total capacity of 24.5 million tonnes per annum. The fuel sector of the 2.5 MTPA Haldia refinery has been commissioned. The lube sector of this refinery is expected to be completed by the end of 1975. With the commissioning of Haldia refinery, the refining capacity in the

try has increased to about million tonnes per annum.

Plan Refinery Projects

he approved plans for expanding the refinery capacity the fifth Plan include a one ion tonne refinery at Bongaon in Assam, expansion the Koyali refinery by three ion tonnes and a new grass-t refinery at Mathura with pacity of six million tonnes. s would add ten million nes to the capacity thereby reasing it to about 37 million tonnes. However, targets the optimum refining capacity during the Plan are still der consideration keeping view the high crude prices l constraints on foreign exchange.

rformance of Refineries

Out of the total 20.81 million tonnes of crude processed ring the calender year 1974, 13 million tonnes were processed in the six public sector ineries (including HPCL—merly ESSO) and 5.68 million tonnes inclusive of 9.98 llion tonnes supplied by C in the three private sec- refineries.

trochemicals

For the petrochemicals industry the year 1974, in certain respects, was more eventful an any since the industry s established about a decade o. Consequent upon the unecedented increase in the ice of crude oil, the price of phtha was fixed at Rs 1,000 r tonne. This, coupled with crease in fuel oil price led to gnificant increase in the prices the four building blocks in e petrochemicals sector as own below:

Prices of Petrochemicals

(Rs/metric tonne)

	February, 1974	June 1974
hylene	1,650	2,967
opylene	2,000	3,305
tadiene	2,400	3,763
enzene	1,471	2,919

This led to upward revision in the prices of all petrochemical products. Among several of the factors arising from the situation, the most noteworthy were the considerable increases in the working capital requirements of the units, and development of consumer resistance for the products to some extent. During the closing months of the year, surpluses of certain petrochemicals items like PVC, DMT, benzene and methanol which had been in short supply for quite some time past, had started building up.

Stagnant Production

While in some sectors the production remained stagnant or declined, in others there were significant increases. The production of synthetic fibres, nylon tyre cord and thermoplastic resins was lower than that in 1973. Production of chemicals and synthetic rubber based on alcohol remained almost at the same level. Increases were recorded in the production of several organic chemicals such as methanol, aniline chloroethylenes, DMT, ethyl acetate, nitrobenzene and phthalic anhydride.

The Indian Petrochemicals Corporation Ltd, Baroda, achieved stable production of DMT, which is the main raw material for polyester fibre, polyester filament yarn and polyester resins. The paraxylene plant feeding the DMT unit which had teething troubles in 1973 gave regular and satisfactory production. The prodution of DMT during the year was 111,548 tonnes.

The Gujarat State Fertilizer Company commissioned the plant for manufacture of caprolactam, the main raw material for the nylon industry. Its production during the period August—December, 1974 was 3,600 tonnes. The plant had initial operational difficulties which are not uncommon in such units. When operated at full capacity viz. 20,000 tonnes/annum, there would be very substantial saving in foreign exchange every year.

On indigenous DMT and caprolactam, government for the first time, levied an excise duty of 25 per cent and 50 per cent respectively.

The steep increase in the price of naphtha for non-fertilizer uses emphasises the need for basint the manufacture of petrochemical items, to the extent possible on other feedstocks. During the year conscicus efforts were made in thi direction. A capacity of abous 37·000 tonnes/annum fort manufacture of PVC resins was approved on the clcium carbide route. Approval for manufacture of 60,000 tonnes of methanol based on natural gas and coal was also accorded. Other important items approved for manufacture were TDI (5,000 tonnes/annum) propylene oxide (10,000 tonnes annum) silicones (1,200 tonnes/annum), aniline (3,000) tonnes/annum), ethylene diamine and polybutenes (7,000 tonnes/annum), glycol cthers (1,300 tonnes/annum), glyoxal 40 per cent (750 tonnes/annum), linear alkyl benzene (30,000 tonnes/annum).

New capacities for the manufacture of nylon filament yarn, polyester fibre, ethanolamines, benzoic acid, acetoacetic ester, formaldehyde, acetic acid, benzyl acetate and benzyl alcohol were commissioned during the year.

Rise in Output

Presently, the installed capacity for nitrogen and P_2O_5 stands at 19.81 lakh tonnes and 5.6 lakh tonnes respectively; the plants of Indian Farmers Fertilizers Cooperative Limited were under commissioning and went into production towards the end of financial year. With this, the installed capacity increased to 21.96 lakh tonnes of nitrogen (N) and 6.87 lakh tonnes of P_2O_5 by the end of 1974-75. The overall production of nitrogen during 1974-75 has shown an upward trend and is likely to be around 12 lakh tonnes as compared to 10.60 lakh tonnes in the previous year. Production would have been more, but for certain unforeseen mechanical problems and equipment failures in some of the more efficient plants in the country.

The Madras Fertilizer Plant had a series of problems such as (a) damage to the rotor caused by sudden power failure; (b) cracks in the reformer tubes, which coming one after another caused the plant to be shut down for prolonged periods resulting in considerable, loss of production. Production at Kota, Goa and Visakhapatnam also suffered due to equipment failures. In addition, inadequate power supply to the Nangal frtiliser plant, repeated power failures and frequency fluctuations at Durgapur, Gorakhpur and Trombay contributed to further production loss.

Technological Problems

The Cochin and Durgapur units have not so far been able to overcome their technological problems and stabilise production at a satisfactory level. Inadequacy of the right quality of raw materials at Sindri and labour problems at FACT were other constraints limiting production. The loss of production on account of these various problems and constraints is likely to be of the order of about 3.32 lakh tonnes of N during 1974-75.

The prices of the main nitrogenous fertilizers, viz., urea, calcium ammonium nitrate and ammonium suplhate were raised from June 1, 1974 to the extent necessary for compensating the manufacturers on account of the increase in the cost of naphtha, fuel oil, bags and freight. While allowing this price increase, government also evolved an equated price for the sale of imported and indigenously manufactured nitrogenous fertilizers whereby a part of the delivered price was to be mopped up by government through a pool equalisation change towards meeting the cost of imported fertilizers.

The delivered price of indigenous urea of Rs 2,000 per tonne from June 1, 1974 includes a pool equalisation charge of Rs 610; if this is taken away, the realisation to

the manufacturer would be Rs 1,390 further includes an excise duty of 15 per cent, a notional freight of Rs 40 and a dealers margin of Rs 80 with the exclusion of these elements, the ex-factory realisation would be Rs 1,110 per tonne or urea. Similarly, in the case of ammonium sulphate, the price was raised from Rs 590 to Rs 935 with an equalisation charge of Rs 195 and in the case of calcium ammonium nitrate, the price was increased from Rs 615 to Rs 1,095 with an equalisation charge of Rs 295.

The expectation that the Tuticorin project of SPIC and the Barauni and Namrup (Expansion) units of FCI would go in to production during 1974-75 did not materialise; due mainly to delays in the delivery of imported and indigenous equipments, the commissioning of these projects has slipped. The Tuticorin project of SPIC, with a capacity for manufacture of 2.58 lakh tonnes of N followed by a capacity of 51,000 tonnes of P_1O_5 some time by the end of 1975-76, is now expected to be commissioned in April, 1975. The Barauni and Namrup units of FCI each of which would produce 1,52,000 tonnes of nitrogen are expected to go into production in October 1975.

Expansion Plans

The fertilizer programme in the fifth Plan envisages the setting up of five large sized fertilizer projects in the public sector at Bhatinda (Punjab), Panipat (Haryana), Mathura (UP) Paradeep (Orissa) and Trombay V (Maharashtra) and one in the cooperative sector at Phulpur (UP) with an aggregate capacity of about 14 lakh tonnes of N and three lakh tonnes of P_2O_5. Of these, the project at Bhatinda has been taken up for implementation, and a new public sector undertaking, by the name of National Fertilizers Limited was incorporated in August 1974 to set up and operate this and two other plants at Panipat and Mathura. The necessary contractual arrangements for process licences, basic and detailed engineering, procurement of equipment etc., for the Bhatinda project have also been made. The second project at Panipat has also been taken up for implementation. The EXIM Bank of Japan has extended a credit assistance of 32.9 billion Yen towards meeting the foreign exchange cost of the three plants to be set up in the North-Western India by NFLL. A formal credit agreement for 11 billion Yen for the Bhatinda project has already been entered into. As the credit extended by the EXIM Bank is not adequate to cover the entire foreign exchange cost of these projects, a sectoral loan is being negotiated with the World Bank to cover the unsecured portion.

Foriegn Assistance

World Bank assistance has been made available to the tune of $88 million for the expansion of plants: Gorakhpur (51,000 tonnes of N), Cochin (40,000 tonnes of N and 1,14,000 tonnes of P_2O_5) and Nangal (152,000 tonnes of N) which are under various stages of implementation. Besides, World Bank assistance has also been extended for implementation of the fourth stage expansion of Trombay with a capacity of 75,000 tonnes of N and an equal quantity of P_2O_6, as also the modernisation of Sindri (which would add a capacity of 129,000 tonnes of N). These two projects have been extended assistance to the tune of $33 million and $91 million respectively. Besides, World Bank has also made available a credit of $17 million for renovation and improvement in the operations the fertilizer units of FCI and FACT. The IBRD have also sanctioned a loan of $109 million to meet the foreign exchange cost of the project at Phulpur.

In addition to the aforesaid projects in the public and cooperative sectors, letters of intent have been issued to Shriram Chemicals for further expansion of their plant at Kota by a capacity of 3,45,000 tonnes of N per annum and to Gujarat State Fertilizer Company for an expansion of their capacity for the manufacture of an additional quanitty of 243,000 tonnes of N per annum. A letter of intent has also been issued to Nagarjuna Fertilizers Limited for setting up a fertilizer plant at Kakinada, a grass root site in Andhra Pradesh, with a capacity of 228,000 tonnes of nitrogen and 82,000 tonnes of P_2O_5 per annum. Government has also approved a project sponsored by the Maharashtra Cooperative Fertilizer Company for production of 66,000 tonnes of ammonia near Bombay; a major part of the ammonia produced at this plant would be utilised for direct application to the soil mainly by the sugarcane cooperatives.

A scheme for the manufacture of phosphoric acid to the tune of 125.000 tonnes of P_2O_5 partly to replace the import requirements of phosphoric acid and partly to manufacture DAP has also been approved.

Increased Capacity

With the completion of the project already under implementation and some of those approved for implementation in the public, private and cooperative sectors, a total capacity of about 5.4 million tonnes of N and 1.4 million tonnes of P_2O_5 would have been developed by 1978-79, the terminal year of the fifth Plan period. From the above capacity, a production level of 3.25 million tonnes of N and 0.9 million tonnes of P_2O_6 is likely to be realised.

Over the years, the fertilizer industry has achieved a substantial measure of self-reliance and on an average, the foreign exchange component of a fertilizer plant of standard size (i.e. 900 tonnes of ammonia per day with ancillary facilities for production of urea) would be in the range of 25 to 30 per cent of the total project cost of the plant. This percentage is indicative of the dependence of the fertilizer industry on external assistance in the form of supplies and services not available in the country.

In addition to the large scale programme for setting up fertilizer capacity in India as described above, the possibility of setting up joint venture [fer]tilizer projects in neighbou[r] countries, using the hydroc[ar]bon feedstocks available the[re] is being actively explored. [A] loan of Rs 10 crores has b[een] offered to Sri Lanka towa[rds] the setting up of a large si[ze] nitrogen plant near Colomb[o]. This would be used by [Sri] Lanka government for [the] procurement from India [of] off-site equipment and fac[ili]ties for the project.

Diversification of Process

Presently most of the capa[city] developed in the fertili[zer] field is based on naphtha, b[ut] in view of the anticipated [in]crease in pressure on naphth[a] it has been decided that t[he] plants to be set up hereaft[er] should be based either on co[al] or fuel oil/heavy petroleu[m] fractions depending on t[he] specific locations, availabili[ty] of the raw materials dema[nd] considerations etc. In purs[u]ance of this policy, three lar[ge] sized coal-based fertilizer plan[ts] are under implementation [at] Talcher, Ramagundam a[nd] Korba; each of these plan[ts] would have an installed cap[a]city of 2,28,000 tonnes of N a[nd] would be consuming about o[ne] million tonnes of coal per a[n]num. Some private parti[es] have also shown interest [in] setting up coal-based fertilis[er] plants and their proposals a[re] under consideration. Studi[es] are in progress to identify oth[er] suitable locations for settin[g] up coal-based plants.

As far as the productio[n] of phosphatic fertilizers is co[n]cerned, production is st[ill] based mainly on imported ro[ck] phosphate and sulphur. [In] the context of the increasin[g] prices of these imported ra[w] materials, steps are being take[n] to step up the production [of] rock phosphate at Udaipur a[nd] Maldeota in UP. Pyrites, Pho[s]phates and Chemicals Lt[d], a public undertaking under th[e] ministry is taking action [to] increase the production of roc[k] phosphate in Maldeota and fo[r] locating and exploiting othe[r] mineable deposits in the coun[]try in addition to its conti[]nued mining of pyrites [at] Amjhore in Bihar for the pro[]duction of sulphuric acid [at] Sindri.

...stribution of ...eel

THE easing of the steel ...y position, the joint plant ...mittee devised early this ...h new guidelines for pro...s and consumers in regard ...e distribution of steel. The ...tive of the new guidelines ...to make the distribution ...m both simple and direct. ...committee estimated the ...ability of steel till 1977-78 ...in view of the expected ...ases in supplies, issued ...ctives which made it easier ...the consumers to obtain ...requirements from the ...lucers.

...omplete details in this re... are given below:

...the last 12 months, steel ...ly position has under...e a major change. With ...er supplies, steel is no ...ger scarce. The market ...miums in steel have virtu... disappeared. In a number ...categories, producers prices ...the market prices are at ... The shortage psychology ...scramble for steel has ...en place to relative nor...cy of supplies.

Stockpiling

...enuine consumers seeing ...ger availability especially ...he stockyards (the produ...s currently have over 60 ...ivery points at all over the ...intry) are tending to buy ...ir necessary requirements ...use rather than stockpiling. ...e credit policy followed by ...nks which has helped to curb ...lation has also had its im...rtant effect on the pattern of ...n & steel purchases and ...ventory holding.

Any distribution system has ...be alive to the realities of ...pply and demand; national ...eds and prorities, and evolve ...simple method by which pro...icers can supply the consu...ers their requirements of raw ...aterials as and when they ...ant them.

In the following paras is outlined details of domestic distribution system for steel both from the plants and the stockyards which is simple, direct and places the responsibility of satisfying customer needs where it belongs viz., on the producers.

Availability of Iron & Steel in Retrospect & Prospect

During the year 1974-75 production of saleable steel in integrated steel plants increased by 546,000 tonnes or 12.6 per cent over the previous year. With larger movement of steel from the plants, taking into account import arrivals & production of arc furnaces, the total availability in 1974-75 of saleable steel was 1.014 million tonnes or 20 per cent more than previous year.

With larger supply in relation to demand, in categories like Pig Iron, Billets & Bars & Rods and others, it has been possible to commence export of surpluses. In a number of other categories, acute shortages have disappeared.

In 1975-76 production of saleable steel from the integrated steel plants and are furnaces and scrap rerollers is projected to be 6.45 million tonnes, an increase of 20 per cent over previous year. The arc furnaces which have been facing problems due to lack of power and uneconomic operations can be expected to increase their production in the coming year with the improvement in power supply and scrap. Regarding economic viability, assistance they require is being considered.

Changes have been made in the production programmes of main steel plants in 1974-75 to produce more of categories needed for priority customers such as Structurals & Plates. This effort will be continued this year with additional emphasis on quality and critical sizes production. In addition commissioning of Hot Strip Mill in Bokaro in 1975-76 will result in due course in domestic demand being completely satisfied in Plates upto 10 mm, HR Sheets 10-14 gauge and HR Coils.

We have also looked beyond next year into 1976-77 and 1977-78 till the end of 1978-79 and carefully estimated possible levels of supply and demand for steel.

Supply projections are based on:

(i) increase in production of the existing steel plants which would mean larger capacity utilisation;

(ii) Bokaro contributing towards a steady flow of finished steel;

(iii) larger capacity utilisation of arc furnaces with better availability of power, scrap and improved economy in operation.

Demand Estimates

By 1978-79 the total saleable steel production in the integrated steel plants is estimated at 8,490 million tonnes. Together with production from arc furnaces, domestic production will be 9.859 million tonnes.

Category-wise demand estimates have been made taking into account the probable rates of growth of consumigg industries and after holding discussions with the appropriate government departments and large number of consumers. The level of demand in 1978-79 is likely to be around 7.658 million tonnes.

This exercise indicates that in 1975-76; 1976-77; 1977-78; and 1978-79, there will be increasing availability in Pig Iron, Semis, Bars & Rods, Wire Rods, Light Structurals, Plates upto 10 mm, HR Sheets 10-14 Gauge, HR Coils, CR Sheets & Coils and GP/GC Sheets sufficient to meet domestic demand fully and also provide for exports.

Acute shortages of steel are not conducive to growth. Shortages lead to runaway prices, uncertain deliveries, delay and set back in economic development. Supply and demand exercises indicate that adequate steel will be available.

Surplus big or small needs a different kind of attention. Export business needs earning the goodwill of the foreign buyer, advance planning of production and prompt despatch. If this is not done, this also will create problems for growth.

While steel sector will be a growing exporter, there will be imports of steel mainly those categories which we do not make any special varieties. In addition to regular imports in consultation with consumers, SAIL International will also endeavour to import against anticipated shortages of critical items. Producers and the Joint Plant Committee will review the supply and demand position regularly to help such assessment. With constructive use of such imports, there should be no return to shortages even in some categories temporarily.

The guidelines to producers and consumers of steel take into account the better supply position, the need for exports and the constructive role given to imports. They do away with long time lags to in procurement which had been as much as nine months to a year, much paper work, multiplictites of agencies like JPC, sponsoring authorities, allocating authorities, producers and others and aim at greater satisfaction to the genuine consumers.

Reduced Inventories

In its meeting held on February 24, 1975 the Steel Priority Committee (SPC) took careful note of the additional availability of steel, reduction in inventories by consumers, fall in the market prices and voluntary surrender of earlier inflated allocations by the consumers.

In the past demands placed before SPC by the customers had been inflated because of uncertainty and psychology of shortage. Accordingly, some of the earlier allocations issued by SPC at the request of customers have become unrealistic in view of changed market

conditions and changed needs of customers.

The committee noted that the producers had already met customer groups like heavy industry, CWPC and electricity boards, boiler manufacturers etc., to discuss the requirements of steel and they intended having regular meetings with customers with a view to understand their requirements better. The SPC appreciated these meetings and felt these should continue and the scope enlarged.

After a review of supply and demand of steel category-wise, it was agreed that SPC will retain for distribution only two items viz., Platesand Forging Quality Steel which costinues to be relatively short in supply and transfer the rest of the items to JPC.

The relevant government notification of March 3, 1975 is given at the end.

The guidelines to follow will apply to the items delegated to the JPC in the above notification and are governed by above directives.

Directives to Producer's

Against the background of larger availability of steel, it is the intention that customers (particularly government departments, projects & priority customers) should be able to buy their steel requirements and receive more easily from the producers. This will reduce the time lag between request and supply of steel to the consumers and also reduce much paper work for the producers and consumers. This will also help consumers and producers to plan their production better.

Producers have already created Consumer-Contact-Groups who will be in regular touch with consumers according to a well coordinated plan and who will arrange for supply of steel to them from the nearest and most convenient channel with the minimum lead time. The number of such consumer contact groups must increase.

Actual user customers will be free to take such quantities of steel as are needed by them for use. The earlier SPC allocations will be modified in consultation with consumers and those which are in surplus of the consumer requirements will lapse. No consumer should be forced to take steel which he does not need.

Producers must bring greater corelation than hitherto between supply and demand by working out suitable rolling programmes.

Customers Satisfaction

It is appreciated that it would not be possible to solve all the problems of all the consumers in any distribution system. Basic directive to the producers' is that they must ensure that the large majority of customers are reasonably satisfied. In this attempt, special attention must be paid to the needs of public sector units, direct government demands and such priorities which government may lay down from time to time. The producers are requested to take careful note in this connection of government notification referred above.

With the direct supplier and consumer relationship, consumers can deal with producers directly and place orders directly on the producers and there will be no need for indenting through JPC or other infructuous paper work with all its attendant delays and other inefficiencies. There will also be no allocations by JPC.

In exceptional circumstances, which will only be for temporary periods, if a system of allocation is to be resorted to, this will be done by producers in consultation with JPC and strictly on the basis of customer off-take in to the immediae past which is the correct guide for genuine consumption. Such situations will be discussed in the JPC first.

Recognising fully the importance of small scale industry in economic development, government have given due role to the State Small Scale Industries Corporations with regard to supply of raw materials including steel. This will continue. SSICs will ensure prompt and efficient distribution of steel, keeping in touch with customers and liaison with the producers regarding supply.

It is accepted that it is not practical for producers stockyards' to cater directly to the thousands of small scale units spread over the country. It is the primary responsibility of SSICs to supply to small scale units.

Movement of steel from the plants in loose wagons resulted in longer turn around time for wagons, undue delay in consumers getting materials after despatch and inability of producers to despatch their full production in 1973-74.

Reduced Turnaround

In 1974-75 a change over was made with considerable success to move steel by rakes both to customers and stockyards. It has resulted in reducing the turn around time of wagons, better use of railway rolling stock and a more efficient use of the transport system. It has also resulted in larger supplies in consuming centres and helped to bring down open market prices and directly helped consumers to hold smaller inventory thereby reducing lock-up of working capital. Producers will further step-up rake movement in transporting iron and steel.

Rake movement of steel is recognised both by the Steel and Railways ministry as the most rational way of optimising the use of our transport facilities. Supplies from the plants will be made to consumers if their accepted order is for a rake load of one section to one destination from one plant. However, to help government departments, industry and Small Scale Industries Corporations, the same facility will be given even if the accepted order of rake load is for a mix of sections from one mill. This will be subject to availability. In addition before accepting such plant desp ches, producers will ens that there is no preemption any consumer.

The rest of the supplies w be made from the produc stockyards.

In view of the pivotal r assigned to stockyards in t distribution system, produc must as soon as possible ganise the following:

(a) increase both the bread and width of stockyard ope tions;

(b) ensure that the yards a managed and cater to custom needs;

Organise stockyards in su a manner using both their ov and other facilities availat in the country to ensure th continuous flow of iron an steel material to the consume will not be held up for the o reason or the other. It essential that alternate hanc ing facilities and alterna locations be commissioned soon as possible.

Basic Objectives

Our basic objective is to e sure that the number of poin from which steel could be pr cured are increased in a pla ned manner. This would mea greater effective steel availab lity to consumers.

In the stockyards, the pr ducers must keep a range products as their base stock enable consumers to buy the requirements as and when th need it. Such a mix of categ ries will enable the consumer take his requirements in a ma ner which will help his produ tion and solve matching ste problems.

For efficiently implementi the guidelines it is necessa that available steel should b held as widely as possible suit consumer requirement Producers should enlarge the yard operations. The need the small scale units wi similarly be met by the Sma Scale Industry Corporation In course of time, the distribu

be further widened by ppropriate trade chan- pread all over the

cers, however, should hat there should be no ion of steel for specu- purposes. Producers bidden to accept for- denting from the trade.

ucers' representatives in ne should meet month- change information on and supply and to co- e their activities.

onthly review meeting India basis will be or- by Steel Authority of mited to assess the per- ce of the producers s demands booked by nd the scheduled progr- of rolling-cum-despatch l out for the previous If any imbalance in g as between different rds is noticed, this g will advise necessary ive steps.

c Survey

will hold a quarterly g of the producers. De- and supply position will iewed in such meetings. s of anticipated shor- if any, will also be up at this meeting to SAIL International to prompt action to import quickly according to the l delivery required by ustomers.

m at Annexure incorpo- a declaration by the in- that the materials will nsumed by him for the se specified therein and sold without the permis- f the Iron & Steel Con- concerned. The Re- Iron & Steel Controllers ontinue to exercise vigi- over proper utilisation steel materials including tems. No supply of steel d be made by the pro- s/stockyards to any con- , before obtaining a ration about consump-

e guidelines impose a res- bility on the producers in organising their sales to provide satisfaction to consumers both by increased production and prompt customer service. Similarly, the canalising agency will ensure timely and planned imports as stated above.

Hitherto supply of steel was not to specified delivery schedules. With larger supply from stockyards, producers should endeavour to move towards mutually agreed delivery dates.

Producers are requested immediately to complete the changes already begun by them in the Sales & Marketing Departments to ensure constructive relationship in servicing consumers.

For these items under SPC such as Plates and Forging Quality Steel, the existing SPC procedure as explained in the JPC indenting procedure booklet of September, 1974 will continue.

Guidelines to Consumers

Consumers needing Iron & Steel (other than Plates & Forging Quality Steels) need not as in the past contact a multiplicity of agencies like

Producers' Sales Office, JPC, Iron & Steel Control, SPC and others.

The producers have posted their representatives at all major consuming centres for being in continuous touch with customers. Hindustan Steel's representatives will also act on behalf of IISCO wherever the latter do not have their representatives.

JPC has supplied the list of customers on its books to the producers to facilitate customer contact. Customers desirous of obtaining iron and steel may please get in touch with the producers' representatives mentioned earlier and arrange for supplies.

To facilitate better relationship between customers and producers, all restrictions on sale based on registration date of a unit or based on past quotas for allocations or reservations have been removed. The over-riding priority for allocations to engineering export industries will continue.

Special Priority

Supplies to Defence, Power & Irrigation, Engineering Exporters, Steel Plants, Coal Sector & Railways will carry special priority as explained in above.

Government departments are advised to coordinate the requirements of their fabricators and obtain them from the producers to ensure timely completion of projects.

The consumers will give end-use Certificates while ordering materials as explained earlier.

The producers' representatives are fully posted at all times about the stocks available with the nearest producers' stockyards, the ensuing rolling programmes at the Plants and expected supplies to the nearby stockyards in the next 4 to 8 weeks. They will also be in continuous touch with various officers of producers in the zone, at Calcutta and at plants who are engaged in planning, despatch etc.

The representatives will be in a position to accept orders from the consumers subject to the guidelines given to the producers.

The producers' representatives will indicate firm delivery schedule for the materials ordered if those are not from ready stocks with the nearby stockyards.

If the tonnage is large enough to warrant a rake movement from the plants direct, the producers' representatives will organise it accordingly subject to the points explained earlier.

RBI's Norms

The Reserve Bank of India has laid norms of inventories for steel using industries among others. The guidelines help to reduce the inventory levels of the consumers and at the same time give them an opportunity to ensure production by drawing on the nearest stockyards instead of having large inventories which they could not use in production. Under the guidelines producers will keep balanced stocks with the stockyards. It is hoped that this will help the consumers in reducing the inventories in line with the government's credit policy.

After discussions and agreement with the producers' representative about the materials to be supplied and the period of delivery agreed, an order and acceptance form as per Annexure will be signed both by the producers' representative and the consumer.

If the materials are to be delivered ex-stock the consumer will straighaway go to the stockyard mentioned in the order form with the order form and obtain materials against payment.

If the material is to be supplied ex-stockyard as per the delivery period indicated in the order form, the consumer will be intimated by the producers' representative as soon as the material arrives in thc stockyard. The consumer ean then go to the stockyard with the order form and pick up the materials.

If the materials are to be despatched from the plants, the producers' representatives will intimate the consumer as soon as the materials arrive at the destination and present the documents to the consumer for collecting materials.

Supplies to Small Scale Industries Corporations will generally be from the plants direct. Order booking for them will, however, be coordinated through calcutta sales offices of the producers.

One of the objects of distribution policy is to discourage building up of inventories of iron and steel with the consumers. Earlier, consumers may have had reasons to build up stocks due to:

(a) Long lead time;

(b) Bunched supplies;

(c) Lack of matching steel;

(d) Uncertainties in supplies and other reasons.

With stockyards carrying a range of supply, inventories with the consumers are expected to come down.

Financial Arrangement

Financial arrangements for supplies from plants with the consumers will discourage the tendency to build up inventories on the one hand and ensure that consumers will honour the indents placed on the producrs' representatives and will thus provide for full cash advance or 100 per cent coverage.

Supplies from the stockyards will be on cash basis as hitherto.

In case of supplies from the stockyards the consumers will inspect the materials before picking up and the question of any claim after delivery of the materials is effected will not arise.

If the materials are despatched directly from the Plants, the consumer if they notices any discrepancy when the materials are unloaded should immediately get in touch with the producers' representative and ask him to arrange inspec[...] the material before lo[...] claim on the producer[...] will be no claim on pr[...] unless the producers' re[...] tative is given an opp[...] inspect the material aft[...] are unloaded from wag[...]

Producers do not t[...] ponsibility for short[...] transit, as long as the [...] receipt confirms the [...] despatched.

Role of the Joint Plan[...] Committee

JPC is maintaining i[...] tion about productio[...] sumption and dema[...] iron and steel in a comp[...] form. They will conti[...] do so and in addition [...] the information in such [...] ner that it will functio[...] modern computerised [...] Bank. It will be its res[...] bility to keep it updated[...]

To help JPC maintai[...] uptodate Data Bank, pro[...] will supply on an agree[...] all production figures an[...] documents both fro[...] plants and the stockyard[...] form which is suitabl[...] computer use.

JPC will undertake in[...] dent planned Market Re[...] to understand and asse[...] velopments in the steel m[...]

JPC will conntinue t[...] up common problems o[...] ducers relating to [...] Sales Tax, Wagon avail[...] etc.

Hitherto JPC Data Ba[...] in relation to domestic p[...] tion. Hereafter they w[...] keep information relat[...] details of steel imports, [...] etc. Such a compre[...] approach will help [...] ment, producers and [...] sumers in planning their [...] ties.

JPC will concern itsel[...] standardisation and rat[...] sation of sizes so that p[...] tion from existing facili[...] optimised. They will als[...] with Indian Standards I[...] tion in evolving and mo[...] standards of various ite[...] steel.

myth exploded

THE MINISTRY of Commerce had for the past many years pursued a policy in regard to the production and distribution of controlled cloth which was designed to make available "popular varieties of cot-
cloth at reasonable prices to the poorer sections of the society". It was in pursu- of this policy that the quantum of controlled cloth to be produced by the mills doubled last year from 400 million square metres to 800 million square metres in ium and coarse categories. Also, the mills were required to produce 30 per cent of output as controlled cloth with effect from October 1, 1974.

How far had this policy been able to assist the vulnerable sections of society? it percentage of the poor households in this country had benefited by this scheme? cent study made by the National Council of Applied Economic Research (NCAER) shown that the policy had completely failed in its objective. Nearly 80 per cent ne households in our country are to be found in rural areas and the bulk of the poor ilies also live there. But only 15 per cent of the purchases of controlled cloth are le by rural households, the balance being consumed by families in metropolitan urban areas. It follows that the claim of the ministry of Commerce that its scheme os the less fortunate in society is untenable.

According to the NCAER, it was the insufficiency of rural retail outlets which was oonsible for this lopsided distribution. The cooperative societies which had been gned the task of distributing controlled cloth in rural areas were insufficiently equip- . The retail distribution centres predominated in urban and semi-urban areas. For mple, out of a total of 800 retail outlets in Maharashtra, as many as 350 were to be nd in the Bombay metropolitan complex. This weakness in the pattern of distri- ion of cloth had always been there; the NCAER study had only exploded the th that the government through its distribution scheme was assisting the poor iseholds.

What was more, the mills had to incur a loss of Rs 100 crores every year because this scheme and had to make it up by raising the prices of superior varieties of cloth. e stipulated categories of cloth were produced by the mills irrespective of the size their market. That this was an additional snag in the scheme of production and tribution of controlled cloth came to light in recent months when the unsold stocks h mills started accumulating. Since July 1974 the closing stocks of cloth with mills d been consistently going up. Because of the credit squeeze, the mills were under eat pressure and were keen to curtail the production of hard-to-sell varieties of cloth.

The malady of accumulated stocks hit the state-owned National Textile Corpora- n (NTC) as well which was reported to carry inventories worth Rs 60 crores in May s year. On a directive from the ministry of Industry and Civil Supplies, the NTC opped the production of controlled cloth sometime in the month of May so to reduce its losses. Earlier, the Committee on Public Undertakings had commended adequate subsidy for the production of controlled cloth by the NTC. the same time, the mills in the private sector also demanded exemption from this bility but even before their request could be considered, the ministry of Commerce is reported to have persuaded the ministry of Industry and Civil Supplies to re-start e production of controlled cloth by the NTC. This decision was taken despite the ct that the NTC had lost about Rs 20 crores in 1974-75 in the production and sale of ontrolled cloth. The accumulated losses of this undertaking might go up to Rs 50 ores this year.

Falling sales, rising inventories, recession in the world markets, credit squeeze and ower shortage in some areas had all worsened the working of this premier industry. nd till the time of writing, the government seemed to be in no mood to come to its iccour. In fact, it was blaming the industry for its present woes because, in the view of

eastern ECONOMIST

JUNE 6, 1975

the official spokesmen, the industry was paying the price of having raised its cloth prices excessively. Perhaps the sale of cloth could be stimulated by reduction in prices but that would take some mills to the verge of bankruptcy. The NTC could accumulate losses and still stay in business because it had the support of the central exchequer. The government, it seemed, did not mind squandering the funds collected from the tax-payers in order to keep alive sick institutions under its control. The mills in the private sector could adopt this policy only at their own peril.

Some of the economic commentators in this country were easily taken in by the platitudes proffered by the official spokesmen. The ghost-writer in *Sunday Standard* of June 1, 1975, who wrote the feature FOCUS, fell in a similar trap when he said: "In this quixotic atmosphere, Indian industry has acquired a certain culture, not to aim for more efficient operation, to reduce costs and encourage optimum investment, thereby looking at profitability as a function of these factors —but to profit by exploiting shortages". The shortages in the economy were the result of official policies relating to the supply of inputs. Normally it was not in the interest of a unit to operate at below the rated capacity. However, the present ailment was not caused by reduced production. It was the direct outcome of forcing the mills to produce categories of cloth which were not in demand. The advice regarding reduction in costs or efficiency was born out of ignorance because a unit in distress did tighten its belt; extravagance was possible in a unit making money and not in one which was facing a financial crisis.

Fertilizer glut?

THE ALACRITY with which the plea made by the ministry of Petroleum and Chemicals about a fortnight ago for a review of this year's import programme for fertilizers has been followed up by high level inter-ministerial consultations should suggest that there is something seriously wrong on the fertilizers front. The above review has been called for by the ministry of Petroleum and Chemicals on the ground that large stocks of fertilizers are currently lying unsold and if remedial measures are not taken to clear these stocks expeditiously and to contain imports, the indigenous producers might have to cut production.

There can be no denying the fact that the availability of fertilisers at present is easy and the current stocks, both with the indigenous producers as well as at the distribution points, are much higher than a year ago. According to the ministry sources, the current stocks with the plants are nearly 100,000 tonnes of nitrogen and approximately 46,500 tonnes of P_2O_5. The stocks at this time last year were a little over 36,200 tonnes of nitrogen and 16,300 tonnes of P_2O_5. Another about 150,000 tonnes of indigenously produced nitrogen and 55,000 tonnes of P_2O_5 are estimated to be lying unsold at the main distribution points. The stocks at the distribution points 12 months ago were about half of this quantity.

According to the Fertilisers Association of India (FAI), the carry-over stocks at the end of March last, however, were of the order of 593,000 tonnes of all soil nutrients—290,000 tonnes of nitrogen, 150,000 tonnes of P_2O_5 and 153,000 tonnes of K_2O (all the requirements of K_2O are met by imports as indigenous production is negligible). If the indigenous production and imports during the last two months are added to the above figure of the FAI, the current stocks, both with the producers and at the distribution points, should be around a million tonnes of all nutrients—at least double the estimate of the ministry of Petroleum and Chemicals (the ministry estimates given above do not include K_2O stocks). The figure of carry-over stocks at the end of 1973-74, according to the FAI, was just 110,000 tonnes. Adding imports and indigenous production in April and June, 1974, the stocks at this time last year could not have been more than 400,000 tonnes, as compared to about a million tonnes at present. The true stock position perhaps is somewhere in between the estimates of the ministry and the FAI.

But is the current situation so alarming that some panicky solutions shou[ld] be immediately hammered out? An an[s]wer to this question requires flashba[ck] on the developments on the fertilizer fro[nt] during the last two years. They al[so] hold the key to the reasons for t[he] present state of affairs.

According to the FAI the co[n]sumption of all nutrients in 1973-[74] was approximately 2.839 million tonnes—1.829 million tonnes of nitrogen, 650,0[00] tonnes of P_2O_5 and 360,000 tonnes [of] K_2O. Last year the consumption fell [to] about 2.745 million tonnes—about 1.8[...] million tonnes of nitrogen, 538,000 tonn[es] of P_2O_5 and 363,000 tonnes of K_2O. Against a fall in consumption in 1974-7[5] the availability in this year was of t[he] order of 3.22 million tonnes—carry-ove[r] stocks 110,000 tonnes, indigenous produ[c]tion 1.512 million tonnes (1.185 millio[n] tonnes of nitrogen and 327,000 tonnes [of] P_2O_5), and imports 1.6 million tonn[es] (880,000 tonnes of nitrogen, 280,000 to[n]nes of P_2O_5 and 440,000 tonnes of K_2O).

If the above figures are correct, th[e] carry-over stock at the end of March th[is] year ought to have been approximatel[y] 475,000 tonnes and not 593,000 tonnes a[s] estimated by the FAI. Presumably, ther[e] was a larger carry-over stock at the en[d] of 1973-74. That this is not just a con[j]ecture should be evident from the ten[d]ency of state governments to underesti[m]ate supplies with them and exaggerat[e] their requirements in periods of shortages.

Another significant point to be note[d] is that last year the consumption of fer[t]ilisers in some very important consum[]ing areas, namely Tamil Nadu, Gujarat, Haryana and the Chattisgarh region o[f] Madhya Pradesh, suffered a great setbac[k] due to severe drought conditions. Th[e] reduction in consumption on this coun[t] alone should be at least 150,000 tonne[s] of nutrients, though the consumption i[n] these areas last year went down by nearl[y] 200,000 tonnes (part of the setbac[k] could be due to high prices of fertili[]zers). The fertilizer supply position be[]fore the last kharif season too was ver[y] acute. This and the fears of shortage[s] growing due to the tight world suppl[y] position apparently prompted the unio[n]

ernment to arrange for as large im-ts last year as possible. The hind-ht may make the last year's decision the government to contract large im-rts open to question. But surely plac-as the government was in regard to od and fertilizer supplies early last year, had enough justification to do what did. The tight supplies of fertilizers fore the last kharif crop and the vari-is controls on distribution had a good al of bearing on consumption during e kharif season.

The above analysis should indicate at the consumption of fertilizers last ear was somewhat better than what is evealed by the figures being quoted. Had e weather condition been normal and upplies, when needed, adequate, the early 3.3 per cent setback to consump-ion would have been much less. The rice hike, necessitated by expensive im-orts, of course, would have had some mpact on consumption. But that would have been only marginal after wiping out he normal annual growth.

This brings us to the requirements of he current year. According to the FAI, the consumption this year should go up by about 20 per cent over the ast year's level of 2.745 million tonnes. The FAI has assumed a high rate of growth in consumption because the severe drought conditions in some of the main consuming areas may not be there and also in some areas, such as West Bengal, the prospects of a rapid increase in consumption are bright. Last year, West Bengal registered a growth in consumption to the extent of about 25 per cent. Thus, according to the FAI, the consumption of fertilizers this year may go up to about 3.0 million tonnes. Another 300,000 tonnes would be required for the pipeline stocks for the next year. The ministry of Agriculture, however, puts the requirements for the year (including 10 per cent pipeline stock) around 3.9 million tonnes. The Agriculture ministry's estimate is based on needs in terms of the farm production targets for the year.

Even if one goes by the FAI consumption estimate, nearly 3.0 million tonnes of nutrients will be needed by the end of January next to cater for the requirements of both the kharif and the rabi crops. Of this, about 40 per cent will be required by August and the balance 60 per cent thereafter by the end of January. Taking into consideration the fact that already there are about 1.0 million tonnes accumulated stocks with the plants and at the main distribution centres (although as said earlier, this figure will have to be somewhat discounted), the additional quantity needed by January will be at least 2.0—2.1 million tonnes. The indigenous production by then should be in the neighbourhood of 1.225 million tonnes. The output of units after January this year will normally remain unutilized till the kharif crop next year.

The gap between the above estimated requirements by the end of January next and the availability from the carry-over stocks from the last year and from current production has to be filled by imports. Contracts for nearly 1.6 million tonnes imports have already been entered into. But it is not yet clear how much of the imported materials will be available by mid-January so that they can be consumed during the next rabi crop. If all the 1.6 million tonnes are available there, indeed, will be a glut of supplies.

The domestic production assumed above, however, may not fully materialise. Apart from the imponderable power factor, the Goa plant is currently shut due to the pollution problem. If this issue is not resolved amicably and the management is obliged to instal an ammonia stripper and a urea hydrolizer before production is allowed to be resumed, no supplies beyond the present stock with the factory can be expected. It will take 8/9 months for the resumption of production at this plant. The problem of arsenic, of course, is being attended to; it will not hold up the resumption of operations.

The loss of production at the Goa plant cannot be expected to be fully compensated by the output of the five new schemes to be commissioned this year. These are the Gorakhpur and Namrup expansions and the Barauni, Tuticorin and Mangalore projects. Some of these schemes are expected to be completed only in the second half of the current year. They surely will face some teething troubles.

The situation, therefore, does not appear to be so desparate as to call for panicky decisions. If the various controls on the distribution of fertilizers are removed expeditiously, the offtake by farmers should pick up fast. In fact, a stock of about 100,000 tonnes of fertilizers with the Markfed in Punjab is understood to have been already cleared in the past few days.

A rephasing of imports, as suggested by the ministry of Petroleum and Chemicals, and understood to have been agreed to by the inter-ministerial committee, however, is not an unjudicious step. It was warranted in view of the fact that the world prices of fertilizers have gone down by over 50 per cent in the past three or four months from \$380/400 to just about \$180 per tonne. The prices of some imports contracted recently are stated to have been renegotiated at lower levels. But still it will be prudent to hold back on imports when the prospects of further fall in international prices are not ruled out in view of the comfortable wheat stocks with the USA, the falling world food prices and no indications being there of any massive purchases of fertilizers by the Chinese.

The idea of a buffer stock of fertilizers, mooted by the ministry of Agriculture, however, has only a limited efficacy in the present circumstances. Due to the financial difficulties of the government, sizeable funds obviously cannot be locked up in this buffer stock. Further, unless very efficiently managed on rotation basis, a buffer stock operation carries the risks of deterioration in quality of fertilizers.

Another step which needs to be taken, of course, is the liberalization of credit facilities both for the manufacturers and the consumers. In the case of the former, it is essential for servicing the stock at the plants. The cash flow of producers apparently has been affected

a great deal in the recent weeks. In the case of the latter, it is necessary in the interest of improving offtake. A renewed emphasis on promotional efforts too is warranted.

A reduction in the prices of fertilizers to induce demand, incidentally, may not be possible in the near future unless the government is prepared to provide subsidy or bring down its imposts. The impact of lower import prices will be felt only towards the end of this year. But it is likely to be offset to no insignificant extent by increased production costs locally. Apart from the likelihood of power tariffs going up, particularly if coal prices are raised substantially, the credit requirement of the fertilizer industry is a significant cost-push factor.

Fruits of cooperation

THE National Cooperative Development Corporation (NCDC) is planning to accelerate the pace of its operations during 1975-76, particularly in the field of agricultural cooperatives. The General Council of the NCDC recently approved a programme of activities which will more than double its expenditure during the year to Rs 25 crores as against Rs 11 crores last year. This sudden spurt in its operations has followed a recent review of its activities by an expert committee. The NCDC has been given vital powers, especially in respect of floating of debentures and bonds and increased capacity to provide loans to cooperative societies. It has also been informed that it should participate in the share capital of the national level cooperative societies and multi-unit societies. All these additional functions justify the enhanced budget.

It may be noted that an additional expenditure alone cannot improve the cooperative movement, which has had a chequered progress during the last few decades. For instance, the Dantwala Committee, which reviewed the marketing cooperatives in the country in 1966, suggested the raising of the capital base of societies, particularly marketing societies, to Rs 200,000 each to enable them a reasonable turnover. It had, however, stipulated that the capital base should be raised not by the government but mainly by the societies themselves so that more and more cultivators could acquire a stake in their working.

It may be added that a sharp uptrend in the business of societies due to the High Yielding Varieties Programme and the increased distribution of agricultural inputs did justify additional government support towards their share capital. This position was also recognised by the All India Rural Credit Review Committee which stated that in the context of the responsibilities entrusted to the cooperative marketing societies, their share capital structure required to be further strengthened very considerably if they were to borrow from banks on a correspondingly large scale. "Ideally, such additional share capital should come from members" which would take time and could only take place with the expanding marketing business.

In the light of the above observation, the corporation's financial assistance in respect of the centrally sponsored and central sector schemes of cooperative development relating to cooperative marketing, processing, storage and supplies was reasonable. The central government had placed at the disposal of the corporation during 1973-74 a sum of Rs 717.20 lakhs as loan and Rs 2.50 lakhs as subsidy. Another sum of Rs 265.01 lakhs was placed at the disposal of NCDC as grant for carrying out its operations. In addition to this the corporation continued to provide financial assistance from its own resources for schemes of cooperative development sponsored by it to the state governments and also to national level cooperative institutions. During the year 1973-74, therefore, financial assistance of Rs 12 crores was released and loans and grants to the state governments and apex cooperative banks and as grants to the national level cooperative federations for implementing various schemes of cooperative development.

The Dantwala Committee had also observed that the progress of cooperative movement in the country had been very uneven. It stressed that the movement had yet to strike firm roots in places such as Rajasthan, Bihar and Orissa which were comparatively less developed in this regard than areas such as Maharashtra, Gujarat and Punjab. The corporation consequently has been favouring its operations in the eastern region. The north-eastern region comprising the states of Assam, Meghalaya, Nagaland, Manipur, Tripura and the union territories of Mizoram and Arunachal Pradesh have rich horticultural and plantation crops. The growers, however, do not obtain fair prices for their produce due to the lack of adequate storage, marketing and communication facilities. For instance, the corporation helped the ginger growers of Mizoram to get organised under the National Agricultural Cooperative Marketing Federation (NAFED) and helped them to double their returns on the sale of ginger within a year. Similarly a multi-commodity fruit and vegetable processing unit was proposed to be set up at Gauhati. The corporation has, consequently, been trying to get involved closely with the problems of the area.

The cooperatives in West Bengal, Orissa and Tripura, where sizeable quantities of jute are grown, are being increasingly involved in the purchases of jute by the Jute Corporation of India. The corporation has been providing financial assistance to these cooperatives towards margin money for raising working capital, for establishment of jute bailing process and for training of their personnel. It was hoped that during the fifth Plan period, with some financial assistance envisaged under a special central sector scheme formulated for the purpose, cooperative marketing and distribution in this region would considerably be improved.

The corporation also plans to pay special attention to the cooperatives in tribal areas. The accent would be to encourage various programmes of market-

g, processing and storage of forest oduce and supplying agricultural in- ts for development of cultivation. rough cooperatives the tribals can be couraged to develop subsidiary farm- g activities such as dairy and poultry ameliorate their economic condi- n.

The corporation also plans to assist e cooperative sugar factories by mak- g considerable contribution to their share capital. An outlay of Rs 15 crores is envisaged to be spent on this scheme alone during the fifth Plan period. Already the value of sugarcane handled by the cooperatives in estimated to be about Rs 400 crores. The cooperative sugar factories have made some impressive advances. At present when sugar has become an important foreign exchange earner, the cooperative effort regarding sugar manufacture is likely to gather further momentum.

What prospects for wagon export?

MR T. A. PAI, the union minister for dustry, has been urging the railway agon industry to promote exports in a g way as a solution to the crisis con- onting it at present. At the meeting f the Industry ministers of the states f the eastern region held in New Delhi ecently, Mr Pai reiterated this sugges- on and pointed out that the coun- ies of west Asia in particular offered ood scope for the export of wagons. How far is this proposal practicable?

For the past several months, the agon industry has been appealing to he ministry of Railways and the Plan- ing Commission to ensure the regular ow of adequate orders at remunerative rices. But New Delhi did not heed this lea promptly. The fact that the wagon nanufacturers had to ventilate their grie- ances through extensive and expensive dvertisements in newspapers shows how ar the government and this major in- lustry have been working in a spirit of ooperation and understanding. "Is it a act", asked the Railway Wagon Division of the Association of Indian Engineering ndustry recently "that the wagon in- lustry, established to serve the Indian ailways, is doomed to extinction owing o the multiplier effect of Railway Board's policies, by way of non-placement of or- lers in time, thrusting on it unremunera- ive prices, and last, but not the least, naking it impossible for the industry to execute even the small orders placed on it, due to the Board's abject failure in arranging free supply of items, such as wheel-sets, axle boxes, etc?" This is indeed a serious and severe indictment not merely of the Railway Board but of the government of India since it indicates "sheer lack of planning and administrative lapses". Does Mr Pai really expect other countries to place orders on India's wagon manufacturers when they themselves publicly proclaim that their industry is "doomed to extinction?"

What is the basis for Mr Pai's statement that the countries of West Asia are good markets for Indian wagons? Has the ministry of Industrial Development, or the Railway Board, or the Commerce ministry, made any market study or survey for Indian wagons? It is true that these countries have immense wealth and that they have drawn up ambitious programmes for their agricultural and industrial development as well as for expanding their infrastructure facilities. All these will necessitate large numbers of wagons and other kinds of railway equipment. But the export possibilities have to be examined in detail before the government can expect the wagon manufacturers to embark on this venture in a systematic manner.

The Federation of Indian Chambers of Commerce and Industry sponsored a delegation to some West Asian countries in January this year to study the scope for promoting trade and economic cooperation. The countries visited by the delegation included Oman, Abu Dhabi, Dubai, Qatar, Bahrain, Kuwait, Saudi Arabia, and Iraq. The delegation's report has highlighted the scope for the export of a variety of Indian goods to these countries and also for setting up joint ventures but neither wagons nor other kinds of railway equipment are mentioned. The Indian products identified by the delegation for export are items such as auto components, construction

Eastern Economist 30 Years Ago

JUNE 8, 1945

There can be no doubt that destruction and dislocation of economic resources in Europe—under the combined pressure of total economic mobilization, military exigencies and Allied bombing offensive—have been on a massive scale. It is, however, too early yet to make any quantitative assessment of destruction and dislocation or indeed to hazard in what direction and manner these are going to leave their permanent impress on the economic structure of the continent or the world economy as a whole. The incidence of destruction has been unequal as among the different countries. Destruction in Belgium and France has been relatively small, so also probably in eastern countries. Due to the pressure of Allied bombings, industrial resources from the west were removed to the east and set up there. Some of these territories were overrun by the Red Army in such impetuous rush, that the retreating Germans had not time to evacuate or destroy plants and the Russians captured many of the plants in full working order. On the contrary, Allied bombing was most concentrated on industries in Germany itself, particularly in the Ruhr. The members of the Indian Industrialists' Delegation who recently flew over Germany were struck by the whoesale destruction of industrial plants and houses in many areas. It was reported some time back, without further confirming report, that in Cologne only two out of 130 factories are in working order the others being destroyed and damaged beyond repair. But this can hardly be taken as typical of the situation. Indeed even as late as early 1944, a spokesman of the British Ministry of Economic Warfare admitted that a reduction of not more than 10 or 15 per cent of German war production could be directly attributed to Allied bombings.

equipment, building hardware, electrical goods, jute manufactures, pumps, diesel engines, rice, sugar and tea. The field for joint ventures is indicated in such industries as cement, cotton and woollen textiles, electrical accessories, machine and hand tools, paints and varnishes, power stations and sugar mills. It may be that the delegation did not give any special attention to study the possibilities for exporting wagons or for setting up units for their manufacture. But both government and the wagon industry should make proper studies about the prospects in foreign countries.

The export of railway equipment is being handled by the Projects and Equipment Corporation of India, (PEC), a wholly-owned subsidiary of the State Trading Corporation. The union Commerce ministry claims in its latest annual report that the corporation has been vigorously pursuing export promotion activities. The report says, "An image of the Indian industry as suppliers of quality products has been projected abroad. Contacts were established with the authorities and buyers in potential markets.

Apart from visits abroad by PEC managers at different levels, a number of persons in authority in different countries were invited to see for themselves the quality and range of production of Indian industry, Attractive and to the point literature was prepared and widely distributed abroad. As a result of these efforts, bridge-heads were established and orders secured from a large number of countries including the Philippines, Taiwan, Thailand, Malaysia, Bangladesh, East Africa, Zambia, Nigeria, France, the USA, Australia, Hong Kong, South-East Asia, Poland, Hungary, Iraq, Kuwait, GDR, the USSR etc." The report reveals that the PEC expects to make a break-through in Latin America, that a letter of intent for the supply of railway equipment valued at over Rs 1.6 crores has been obtained, and that the business is expected to be finalised shortly. The report says that the PEC's turnover for the period April to December 1974 was valued at Rs 1364.01 lakhs. But no information is given as to how much of these exports represented wagons and other railway equipment.

The Engineering Export Promotion Council estimated last year that the export of railway wagons and coaches from India was valued at Rs 5.76 crores in 1973-74 and that the target for 1978-79 was Rs 25 crores. The latter figure may need revision in view of the critical situation facing the wagon industry at present. The union ministry of Finance has now given a special allocation of Rs 33 crores to the Railway ministry for placing more orders for wagons. But other issues have also to be tackled realistically. As Mr K. Hartley said in his presidential speech at the first annual meeting of the Association of Indian Engineering Industry (Eastern Region), held in Calcutta on May 5 this year, "problems that have been facing this sector are problems of orders, problems of inputs, and problems of prices. It has to be appreciated that a considerable amount of advance planning has to be done if uninterrupted production is to be carried on in an industry of this nature. It is not enough, therefore, to place orders for the current year. The industry should get an idea of what will be the requirements during the coming few years also".

Mr Hartley emphasised that problems of inputs, some of which the Railway ministry itself had to make available, needed to be tackled seriously and immediately. He added that the price factor also should be considered and that there was no point in insisting on prices based on costs that prevailed a few years ago. Besides, it is necessary to give timely and adequate attention to the availability of shipping space, economic freight rates as well as improved conditions in ports especially in Calcutta.

It is interesting to note that while Mr Pai has been urging wagon manufacturers to export, India's major industries continue to complain of the non-availability of wagons. As a result, the industries have to incur more expenses to move their goods by road. For example, Dr Bharat Ram, Chairman of the Coromandel Fertilisers Ltd, said at the annual meeting of the company on May 16 this year that the supply of wagons was "very unsatisfactory". He revealed that in 1974, compared to the previous year, the movement of fertilisers by lorries increased from 23 per cent to 38 per cent calling for larger payment to meet the lorry bills. Similar complaints have been made also by many other industries. All this glaringly highlights the lack of proper planning.

Erosion in jute

Mr B.H. Singhania's presidential speech at the annual general meeting of the Indian Jute Mills Association in Calcutta on May 10 revealed to what extent New Delhi's policies had severely crippled the jute industry. "It is now in a state of complete exhaustion", said Mr Singhania, and added that its capital base had been "heavily eroded" and that its liquidity position was "extremely weak". The recent relaxation in the credit policy would not be of much help to the industry unless reduction was made in the margin on bank advances. He asked whether the industry could not expect the government to allocate some funds for its development in view of the fact that it had directly contributed to the national exchequer Rs 240 crores in the form of export duty and Rs 200 crores by way of excise duty in the last ten years. Mr Singhania explained that the removal of the export duty on carpet backing would not by itself help to improve its competitive capacity. He suggested that the government should adopt other measures for this purpose but he did not spell them out. He expressed his disappointment that the government had not provided any relief to hessian, "the sheet anchor of the industry's export," and to sacking and other jute goods.

New Delhi's complacency may perhaps arise from the fact that, despite various difficulties, the industry exported 6,16,000 tonnes of jute goods in 1974 compared to 5,91,000 tonnes in the previous year, earning Rs 295 crores against Rs 241 crores. The export of hessian and sacking totalled 2,65,000 tonnes and 128,000 tonnes respectively in 1974 compared to 2,42,000 tonnes and 95,000 tonnes in 1973. But significantly the export of carpet backing declined from 1,77,000 tonnes in 1973 to

,000 tonnes in the next year. In ent months, exports have fallen ther. Mr Singhania said that e situation of orders and despatches since deteriorated and has reached rming levels causing substantial balance in the demand and supply siton resulting in substantial increase the stocks of hessians and carpet cking". The government of India erefore should take immediate steps to prove the export prospects.

The Calcutta Jute Fabrics Shippers' ssociation has suggested that, apart om the total withdrawal of export ty on all jute goods, some bsidy should be given especially for imary carpet backing, hessian, and cking. The association has observed at if cotton textiles meant for export n be given an annual subsidy of ver Rs 20 crores, there is no reason a milar facility should not be extended to ute goods. Whether the government grees to assist the industry by giving a ubsidy or in some other form, clearly rgent action is required in order to nable the industry to face the competi-ion from synthetics and Bangladesh.

The Indian jute industry is confronted with a fall in demand not only in foreign countries but also in the home market. The off-take for internal consumption has steadily declined from 5,15,000 tonnes in 1972 to 4,45,000 tonnes in 1973 and 3,82,000 tonnes in 1974. The prospect of a larger rabi crop is expected to improve the demand for jute goods. But this will benefit the industry only if the government's pricing policy becomes realistic. How unhelpful this has been to the industry will be evident from the following remarks of Mr Singhania: "Tariff Commission system of pricing has utterly failed and has resulted in substantial losses to the industry. Tariff Commission does not take into account some basic and vital factors. Apart from this, the absence of suitable in-built escalation clauses in the Tariff Commission's formula has made prompt updating of costs impossible. I cannot emphasise too strongly that in its present perilous financial condition, the industry is simply not in a position to continue to absorb heavy losses arising from the supply of B-Twills to government. To remedy the situation, we have strongly urged upon government to make long-term purchases in a planned manner, and also to obtain its requirements at average market price or negotiated price which is a practice followed by government in respect of many other commodities".

As regards raw jute, Mr Singhania reiterated the plea for building a buffer stock and for measures to improve the yield per acre. He explained the steps taken by the industry to ensure a fair price to the grower. He referred to the massive purchases last year when it carried a record level of inventory of about five months on an average; and he claimed that, because of the industry's efforts, the prices of raw jute even during the recent strike ruled higher than last year and "remained virtually stable". He suggested that it was necessary to speed up the process of alternating the cultivation of jute with quick yielding varieties of paddy and other foodgrains. He also proposed that serious consideration should be given to the utilisation of jute stocks for industrial application for which technologies were available. This process will bring more money to the farmer without incurring additional costs.

Mr Jagjivan Ram, the union minister for Agriculture and Irrigation, who inaugurated the annual meeting of the IJMA, stressed the need for measures to prevent sharp fluctuations in the price of raw jute so as to maintain its profitability and ensure steady growth in its production. "The key to the whole problem", he said "is assurance of stable and remunerative price to the grower". He referred to the "numerous imperfections" in the marketing system, such as the influence of money lenders and mahajans, the weakness of growers' marketing-cum-credit cooperatives, and the lack in many areas of facilities for grading and storage. These inadequacies have been there for a long time and it seems surprising that the government has been tackling them in a leisurely manner.

Mr Jagjivan Ram urged that industrial organisations should closely associate themselves with the cultivation of the agricultural raw materials they require on scientific lines. He suggested that there should be "a proper understanding and a realistic appreciation on the part of the industry of the problems and difficulties of the farmers". This is, of course, necessary. But it is equally important that the government too should show a timely and proper awareness of the problems facing the industry especially in view of the fact that no less than four million farmers, 2½ lakhs of industrial workers and a few lakhs of others are directly dependent on it. Mr Singhania concluded his speech by expressing "my sincere hope that my speech will not be construed as any criticism of government's policies". Why should the IJMA chairman be apologetic about his speech when his criticism was entirely constructive?

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Power Tariffs • Wheat Procurement • Oil Exploration • Action on Hathi Committee's Report

POWER TARIFFS are likely to go up substantially in the near future. This will not only be as a result of the hike in coal prices which is expected to be effected owing to the heavy losses being suffered by the nationalised coal industry on account of a sharp increase in its wage bills, but also due to the fact that there is need for increasing the return on investments in the power sector so as to generate additional resources for a steady development of this sector. The World Bank team, which recently assessed our aid requirements for the current year, is understood to have suggested that the rate of return on investments in the power sector should be raised to about 11 per cent.

The inter-ministerial consultations held here in the recent past are said to have favoured stepping up of power tariffs in general. But it has been proposed that the requirements of agriculture and such power-intensive industries as aluminium should be accorded a preferential treatment. The increase in power tariffs for these industries and agriculture, therefore, may not be raised as steeply as for the other consumers. Export-oriented units might also be included in the list of industries requiring preferential treatment.

emphasis on power

The need for maintaining a high level of investment in the power sector is being increasingly felt. It may be recalled that this year's annual Plan has placed an overwhelming emphasis on the development of this sector along with the irrigation, fertilizers, coal and the core industries sectors. The central budgetary support for the power sector, including the support for the Rural Electrification Corporation, has been raised this year, over the revised estimate for the last year, by as much as Rs 140 crores. The aggregate provision of about Rs 900 crores in the state Plans this year for the development of power resources is also substantially higher than last year. As a result, the addition to generation capacity this year is expected to be around 2.7 million KWs, as against slightly less than two million KWs last year. If the fifth Plan target of adding 16.55 million KWs to the 18.5 million KWs generation capacity available at the end of fourth Plan period is to be achieved, the addition to capacity during the remaining years of the current Plan will have to be at least 3.5 million kws next year and four million kws in each of the succeeding two years. That it is not an impossible task, provided financial resources are available, is evident from the fact that the tempo of manufacturing heavy electrical equipment has been growing in the past two years. The Bharat Heavy Electricals Limited turned out last year equipment capable of generating as much as three million kws. This year's plan of this undertaking envisages an increase in output by as much as 3.8 million kws.

operational efficiency

Meanwhile, efforts are being continued to raise the operational efficiency of power plants, particularly the thermal units. The latter units yielded 4,156.40 GWHs during the month of March, as against 3,947.79 GWHs in January from installed capacities of 10,559.4 MWs and 10,208.2 MWs, respectively. Significant improvements in generation were registered by the power stations at Faridabad in Haryana; Bhatinda in Punjab; Obra, Harduaganj, Renusagar and Panki in Uttar Pradesh; Dhuvaran in Gujarat; Amarkantak, Satpura and Korba in Madhya Pradesh; Trombay, Khaperkheda, Paras and Tarapore in Maharashtra; Kothagudam and Ramagundam in Andhra Pradesh; Ennore and Basin Bridge in Tamil Nadu; Patratu in Bihar; Durgapur and Chandrapura in the DVC area; and Bandel, Santaldih and CESE in West Bengal.

The outputs at the Badarpur and Indraprastha stations in the union territory of Delhi, Nasik and Bhusawal in Maharashtra, Neyveli in Tamil Nadu, Barauni in Bihar, Bokaro in the DVC area, Talcher in Orissa, and the Ranapratap Sagar nuclear project in Rajasthan, however, suffered moderate setbacks in March. This was partly due to the periodical shutdowns necessitated by technical reasons.

decline in output

The generation of hydel power during March, however, declined considerably compared to January — from 2,309.46 GWH to 2,227.05 GWH — despite the fact that installed capacity in this period went up from 7181.4 MWs to 7515.4 MWs. While generation went up during March in Punjab, Jammu and Kashmir, Himachal Pradesh, Karnataka, Kerala and Madhya Pradesh, it declined significantly in Uttar Pradesh, Maharashtra, Andhra Pradesh, Tamil Nadu (barring the Kundah project), West Bengal and the DVC areas. In Orissa, while the generation at Hirakud went down, that at Balimela registered sizeable increase. The generation of hydel power is expected to pick up soon with onset of monsoons.

* *

With the procurement of wheat by May 31 aggregating to 2.54 million tonnes, the union ministry of Agriculture feels confident that this year's target of procuring 5.5 million tonnes by September would be fully achieved. The procurement by the end of last month, it is pointed out, would have been significantly higher had harvesting not been delayed by late winter rains, which incidentally improved the crop prospects. The current arrivals between 80,000 and 90,000 tonnes a day are considered satisfactory for attaining the target. Even if some stocks are held back by the more affluent sections of the farming community, they, it is felt, will be disgorged by September. Early break of monsoons this year, the ministry thinks, will considerably help kharif sowings. The kharif crop, therefore, should be at least normal.

The procurement in the various states upto May 31 had been as follows. (the targets for the year are given in brackets): Punjab 1.7 million tonnes (three million tonnes); Haryana 0.28 million tonnes

(0.7 million tonnes); Uttar Pradesh 0.34 million tonnes (1.2 million tonnes); Madhya Pradesh 92,000 tonnes (0.2 million tonnes); Rajasthan 87,000 tonnes (0.17 million tonnes), Maharashtra 13,000 tonnes (0.1 million tonnes) Bihar 6,000 tonnes (60,000 tonnes); Gujarat 7,500 tonnes (30,000 tonnes).

The late harvesting and consequently lower-than-expected procurement upto the third week of May, however, is understood to have created some problems on the transportation front. The movement of the procured stocks to the bulk storage points upto May 31 is said have fallen much behind the schedule drawn up by the railways in consultation with the Food Corporation of India. The utilization of wagons allotted for the movement till then was not more than 50 per cent. The railways, therefore, will have a difficult task to perform in June.

* *

A considerable intensification of the oil exploration effort, both off-shore and on land, is envisaged in the coming months. The minister of Petroleum and Chemicals, Mr K. D. Malaviya, revealed at a press conference here last week that the Oil and Natural Gas Commission (ONGC) shall be going in, after the monsoon season, for drilling in another off-shore block. The exact location for this drilling effort is yet to be decided, but it is likely to be off the west coast. The seismic data, which is available at present, is being closely scrutinised for selecting the new block. Some additional seismic surveys may also have to be undertaken in September or October. The drilling in the new block, however, is programmed to be started this year.

new drilling

With the finding of oil in the fifth well in the Bombay High area a few days ago, the mobile drilling platform, Sagar Samrat, is currently being jacked up at the sixth site just near the periphery of the presently delineated Bombay High field. Although some initial difficulties have been experienced in the jacking up of the platform at this site due to cyclonic weather; the task, it is hoped, will be accomplished soon. If the platform is jacked up with the clearance of weather for a couple of days, the sixth well would be drilled during the monsoon season. Since no further drilling can be undertaken in the off-shore areas till September, the intervening period is envisaged to be utilised for a scrutiny of the data for locating the second field to be explored by the ONGC on its own.

Soon after the monsoon season, drilling is also expected to be undertaken in the two off-shore blocks in the Kutch and the Bay of Bengal areas by the foreign companies to whom they have been leased out for exploration. Both the areas are said to be very promising. If oil is struck there, the oil economy of the country should undergo a sea-change. Simultaneously with the drilling in the off-shore area in the Bay of Bengal, drilling on land near Calcutta is also proposed to be undertaken. Already a rig has been moved to this site.

exploration on land

The exploration activity on land is proposed to be accelerated with the resumption in the near future of drilling in the sub-Himalayan ranges in Uttar Pradesh and Punjab. Some deep drilling rigs have been procured recently for this purpose from the USSR, Romania and the United States. The other areas where the tempo of exploration activity is envisaged to be raised are the Jaiselmer region in Rajasthan, Mandapam in South India and the states of Jammu and Kashmir and Assam.

So far as Tripura is concerned, the difficulties encountered recently because of high pressure of water in the first well at Baramura have been successfully overcome and this well has yielded a large flow of natural gas—approximately 80,000 Cu. feet per day. The well has been completed to the desired depth. Two more wells are proposed to be drilled in this area for exploration purposes.

Referring to the refining capacity in the country, Mr Malaviya categorically stated that there was no question of unduly delaying the implementation of the Mathura project. At the most, it may be delayed by some months; instead of 1978, it may be mechanically completed by the last quarter of 1979. Without the Mathura refinery, the movement of petroleum products in the northern region, Mr Malaviya stressed, would become a very difficult proposition.

An indication of the seriousness with which the work connected with the Mathura refinery is being carried on is available from the recent completion of deep sea boring and standard penetration tests conducted by a team of foreign divers from the International Marine and Petroleum Company of Kuwait on behalf of the Indian Oil Corporation (IOC) to determine the soil characteristic of the sea-bed in the Gulf of Kutch off Salaya. The IOC is to put up a single buoy mooring system here to facilitate the anchorage of super tankers bringing in crude from abroad. This single buoy mooring system will be able to accommodate crude carriers upto 300,000 DW and provide all-weather anchorage. may be recalled that the two refineri whose crude import requirements are be met through this system are t Mathura and the Koyali refineries. mammoth shore-terminal will be bu at Vadinar near Salaya as a part of th system. The Kandla Port Trust wi provide the entire infrastructure fac lities. The buoy will be connected to th shore terminal by a sub-marine pipelin Engineers India Limited are the consul ing engineers both for the single buo mooring system and the sub-marin pipeline.

* *

Mr Malaviya also referred at th above press conference to the Hath Committee's report on the drugs indus try. He denied that his ministry wa delaying the processing of this repor The processing work, he indicated, ha already been taken up and action o the committee's recommendations woul be finalised in a phased manner. Th first priority, he revealed, was bein accorded to the pricing of drugs, bot formulations and bulk drugs. Thi task is expected to be completed by th end of this month. Next will be take up the recommendations of the commit tee in regard to the manufacture of bul drugs.

three objectives

Mr Malaviya reiterated that th government would work towards th three objectives it has set for itself i respect of the drugs industry. Thes are: (i) the public sector has to b accorded the leadership in the drug industry; (ii) the role of the Indian sector has to be enlarged a great deal and (iii) the multinationals have to be made to supplement their formulations activity by the manufacture of basic drugs. Significantly enough, Mr Malaviya did not rule out all role for the multinationals in our drugs industry. He categorically stated that his ministry would not bring to bear upon this issue a doctrinaire approach. He, however, asserted that profiteering in the drugs industry would not be tolerated.

Mr Malaviya did not appear to be very enthusiastic about the change-over from brand names of medicines to generic names. He explained that even though the Hathi Committee had recommended this changeover, the practical difficulties in the implementation of this recommendation of the committee would be fully taken into consideration before deciding on the issue. A quick change-over to generic names might create unnecessary confusion.

Is downtrend in prices transitory?

Sagittarius

E RESUMPTION of the upward trend in e index of wholesale prices for all mmodities (base 1961-62=100) with rise of one per cent at the end of oril, after recording a decline from the ak level of 330.2 at the end of ptember 1974 to 306.4 by March 1975, s given rise to the question whether would be correct to proceed on the sumption that the rate of inflation s been brought down to eight per nt from 30 per cent witnessed in 73-74. After the galloping rise in the dex for all commodities from 192 to 34 in 1972-74, the drop in the index y nearly 24 points from the peak vel is certainly to be welcomed. Whatver may be the difference of opinion mong experts about the new rate of flation, it cannot be denied that inationary pressures had been definitely hecked for a period of seven months nd the net rise in 1974-75 in the ndex for all commodities is only eight er cent.

lifficult proposition

It has now to be examined how the hanges in indices for different groups vill take place in the coming months nd whether it will be possible to roll ack prices at least to the level of 1972-73 when the index stood at 218.5 for ll commodities. Judging from the recent rends in procurement operations in Punjab, Haryana and Uttar Pradesh and he demand that there should be higher procurement prices for wheat, minimum prices for cane, support prices for cotton and a higher statutory minimum price for raw jute, it passes one's comprehension how the annual rate of inflation in 1975-76 can be restricted to eight per cent which was possible in 1974-75 due to recession in international markets and an earlier excessive rise in prices for commodities in some directions.

It is difficult to visualise at this stage how the central government will take decisions on the above mentioned major questions and how the contradictions in thinking relating to the pricing of coal, steel, cement, base metals and electricity will be resolved. There is also the controversy about the quantum of dearness allowance for neutralising increases in cost of living and over adjustments for eliminating disparities in wages and incomes of workers engaged in similar avocations.

chain reaction

It looked as if there would be an immediate decision about revised prices for coal and electricity. But in view of the chain reaction that would be induced by a big rise in coal prices, the various aspects are being examined and some definite indication about the thinking of the government may be available in the next few weeks. The union ministries and planners are feeling tossed about as they are anxious to generate internally larger resources in the public sector by raising prices for different items and at the same time anxious to contain inflation. Where coal, steel or base metals are involved, in which the central government is directly interested, there is a readiness to perceive the difficulties of the producing units and make the necessary adjustments. If there is delay in taking final decisions it is only due to fears that the recent downward trend in wholesale prices might prove to be transitory and the annual rate again may rise to 25 per cent if not 30 per cent.

Whatever may be the final outcome of the wrangle between the central and state governments over prices for agricultural commodities and the moves of the union ministries for raising prices for manufactured goods, one thing is clear. The year 1975-76 is bound to witness a pronounced increase in the index for all commodities as there is no possibility of a marked drop in values of agricultural commodities while some adjustments have to be effected in prices of coal, steel, aluminium, electricity, cement and chemicals. Even with the reports of bumper rabi harvests, there has been no rush for marketing the surpluses by growers and wheat and rice prices have not shown any tendency to decline beyond the drop recorded sometime back. On the other hand, there are definite indications that the seasonal rise in prices may again take place in the lean months before the arrival of the kharif crops and the upward trend can be checked only with continuing heavy sales through the public distribution system.

Luckily, the government is in a position to meet the requirements of the deficit states in terms of wheat from buffer stocks. These are now around five million tonnes and with the definite possibility of another four million tonnes being procured before the end of July, buffer stocks can be expected to be at a satisfactory level of at least eight million tonnes including fresh imports of one million tonnes, and excluding issues of about two million tonnes through fair price shops in June-July. With arrangements for fresh imports of 2-3 million tonnes in the latter half of the year, and scope for procuring four million tonnes of rice out of kharif crops, buffer stocks may not decline to below seven million tonnes by March 1976. It is of course assumed in these calculations that the output of kharif crops will be at least at the level of 1974-75.

procurement price

With continuing increases in the cost of inputs and a general desire to augment incomes for offsetting the rise in prices of manufactured goods, the farmers may have to be conceded an increase in procurement and minimum prices by about 10 per cent. This would mean a modest rise in the index for the food group by about five per cent in twelve months particularly as higher minimum prices for cane and raw jute have become inevitable.

The union ministry of Agriculture can tackle these problems without difficulty and it will be satisfying the demands of the main producing regions if some

concessions are granted ungrudingly. What is however more intractable is the problem of revising prices for manufactured goods. The union ministry of Energy is certainly justified in asking for upward adjustments in pithead coal prices. But it would be wrong to seize the opportunity for pushing up coal prices unduly and create new complications. The additional wage bill of Rs 100 crores has certainly to be recovered in the shape of higher prices. The industry also has to be enabled to secure a reasonable profit margin on its investment. On an output of 100 million tonnes of coal, the wage rise will account for only Rs 10 per tonne while another Rs 5 per tonne will be required for securing a reasonable profit margin. The collieries also will be benefitting by savings arising out of a higher level of raisings. Any move to increase coal prices by more than Rs 15 per tonne will result in the emergence of an unmanageable situation. Even this increase will necessitate a revision of steel prices though the railways can absorb the increase with a larger volume of traffic and the full benefit of the revisions in freight rates in the last two years. Even the steel units can rationalise their operations and reduce overheads with a higher volume of production.

It will not however be easy to prevent rise in prices for cement, aluminium, electricity, caustic soda and other items. Even here, the electricity boards can minimise the extent of increase in tariff charges by eliminating subsidies now granted for agricultural purposes and improving also the utilisation of existing thermal capacity. On about 80,000 million units of electricity generated in the whole country annually even an increase of two paise per unit generated can fetch an additional income of Rs 160 crores. If the subsidies also can be eliminated to the extent of 50 per cent by effecting appropriate changes in rates, there will be an additional extra revenue of Rs 75 crores. This will enable the state electricity boards to secure additionally Rs 225 crores annually without hurting industrial consumers unduly.

Even if exfactory prices for controlled sugar, caustic soda, aluminium, cement and steel have to be raised the ex duties may be adjusted appropriately an undue increase in end prices preven Is the government realising that a ther rise in prices for agricultural c modities and manufactured goods inevitable in some directions and will prepared to lower excise duties and rea the same revenues on a larger outp There should be no hesitation to ef adjustments in excise duties on in mediate and end products as what now happening to the automol industry may happen to other indu ries.

The government is entitled to eff proper adjustments in prices. But should also use existing capacity fu and cushion the adverse effects of u ward adjustments in prices. If need excise duties will have to be suital lowered. Without staggered adjustme in prices in two years 1975-77 and determined bid to activise unused cap city and eliminate power shortages, talk of having reduced the annual rate inflation to eight per cent will be mea ingless.

Sick mills and the banks

B. Ramachandra Rao

THE SICK Textile Undertakings (Nationalisation) Act, 1974, covers 103 sick textile mills in the country and the banks came into the picture as creditors of these sick units. Banks are not happy about certain provisions in the Act which do not safeguard their advances made to the sick units prior to the take-over of managements under the Industries (Development and Regulation) Act 1951 or the Sick Textile Undertakings (Taking over of Management) Act 1972. That is why despite the advice of the RBI on January 9, 1975, that the banks may consider granting reasonable ad hoc limits related to production programme of each mill, pending finalisation of accounts of sick mills taken over by the National Textile Corporation, the response from the banks might have been found discouraging by the National Textile Corporation. In fact banks were told by the RBI that during the transitional period of six months up to June 1975, they need not obtain the RBI's prior authorisation for granting either a temporary/interim accommodation upto Rs 2.5 million or temporary excess drawing by a sick textile mill over the sanctionedlimit up to 10 per cent thereof or Rs 2.5 million whichever is lower. These instructions were as a sequel to a meeting held in the RBI on December 24, 1974 to discuss the credit requirements of the textile mills taken over by the National Textile Corporation under the Sick Textile undertakings (Nationalisation) Act. This act covers 46 mills whose management was taken over under the Sick Textile Undertakings (Taking over of Management) Act 1972 and 57 mills whose management was taken over under the Industries (Development and Regulation) Act 1951.

After the take-over of the 103 sick mills, problems have come up for the NTC to arrange for the working capital funds from the banks which have their own problems of funds due to constraints set on them by the credit squeeze measures. Moreover the Act has created a major problem for the banks in respect of the pre-take-over management liabilities which are not assumed either by the NTC or the central government even though such liabiliti are backed by tangible securities. T second schedule to the Act lays dov the order of priorities for discharge liabilities in respect of a sick texti undertaking as under:

Part A. Post-take-over management period

Category I

(a) Loans advanced by a bank.

(b) Loans advanced by an institutio other than a bank.

(c) Any other loan.

(d) Any credit availed of for purpos of trade or manufacturing operations.

Category II

(a) Revenue, taxes, cesses, rates any other dues to the centra government or a state governmen

Part B. Pre-take-over managemen period

Category III

Secured Loans.

ory IV

Wages and salaries and other dues to an employee.

) Revenue, taxes, cesses, rates or any other dues to the central government, a state government, local authority or a state electricity board.

ote: The dues under this category get priority over any other unsecured credit relating to the pre-take-management period.

gory V

) Any credit availed of for purpose of trade or manufacturing operations.

b) Any other dues.

fficient compensation

The above liabilities are to be paid from the compensation amount pay- to each sick textile mill as specified olumn (4) of the first schedule in Act. But the compensation amount not be sufficient to pay all the liabis as per Part A and Part B of the ond schedule. Moreover the claims ll have priorities in accordance with following principles:

(a) Category I will have precedence over all other categories and category II will have precedence over category III and so on;

(b) the claims specified in each of the categories, except category III, shall rank equally and be paid in full, but if the amount is insufficient to meet such claims in full, they shall abate in equal proportions and be paid accordingly;

(c) the liabilities specified in category III, shall be discharged in accordance with the terms of the secured loans and the priority of such loans; and

(d) the question of payment of liability with regard to a matter specified in a lower category shall arise only if a surplus is left after meeting all the liabilities specified in the immediately higher category.

If the amount in the hands of the ommissioner is not sufficient to discharge the liabilities fully, the creditors o not have any remedy against the National Textile Corporation or the central government.

The secured loans relating to the pre-take-over management period fall in category III in the second schedule and these loans also would include loans granted by banks. These shall be discharged as per the terms of the secured loans and the priority of such loans. These loans come under the lower category and can be satisfied only if there is surplus from the compensation after meeting the liabilities specified in the immediately higher category. But looking to the meagre compensation quantified in the first schedule to the Act, the banks cannot get anything in respect of their pre-take-over management liabilities falling under category III though they are of secured nature. This is definitely quite unfair and banks are left with the liabilities of the sick mills whereas the assets backing these loans are taken away to vest with the National Textile Corporation. Even if the pre-take-over debts had guarantees from the previous directors of the sick textile units or state government guarantees, it is doubtful how far they can be invoked. Moreover the directors who have guaranteed may not be worth the large limits. The state government may back out saying that the securities have been removed to be vested with the National Textile Corporation.

broad divisions

Bank loans to sick textile undertakings fall in the following broad divisions:

(1) Loans advanced in the "Pre-take-over management period"—Part B—Category III.

(2) Loans advanced in the "Post-take-over management period"—upto March 31, 1974—Part A Category I(a).

(3) Loans advanced after April 1, 1974—the "appointed day when the sick textile undertakings were nationalised by an ordinance.

The loans advanced by banks in the post-take-over management have been given the highest priority, but they will have to be recovered from the compensation payable under the ordinance along with other items in category 1. Section 27(1) provides that if any liability in respect of any items specified in category 1 is not discharged fully out of the said amount (compensation), the undischarged liability shall be assumed by the central government. Thus, the banks will have first to make claim on the compensation and if that is not sufficient, on the central government, which will assume the ultimate liability for all loans advanced by a bank to a sick textile mill upto March 31, 1974. The central government may under section 27(2) of the ordinance, order the National Textile Corporation (NTC) to discharge such liability.

frozen amounts

No doubt, the post-take-over management loans given by banks have been given priority, but this will be along with other claims falling in category 1 for settlement from the compensation. It is also true that a provision has been made that, if the compensation is insufficient, the liability in respect of any balance left over of such loans will be assumed by the central government. But considerable time will of necessity elapse before the entire procedure is gone through and completed. In the meantime, the amounts will remain frozen, carrying interest at the exceptionally low rate of four per cent p.a. As a result, both liquidity as well as profitability of banks will be affected.

The Act has brought about a fundamental change in the status of the banks from that of a secured creditor to that of an unsecured creditor. The banks will have only the right to receive the payment from the Commissioner of Payments or from the government in due course. But the sick mills have already started asking for fresh finance on the securities made free from encumbrance by law, though in the books of the banks, the liabilities are continuing with the assets transferred to NTC.

This is a very peculiar situation. For the banks' liabilities in their books, they will have to wait till they receive the amounts from the compensation at four per cent interest and for making fresh advances to the sick textile mills they will have to find fresh resources which can be raised only at a very high cost. Strictly speaking the fresh loans should be only extended in cancellation of the post-take-over management dues of the mills to the banks. This

stand corresponds to accepted banking practice.

Though as regards the post-take-over period loans banks are reconciled as they do not lose anything excepting in the charging of four per cent interest, as regards the pre-take-over management loans, banks are deeply worried as there is no chance of recovery since the compensation is not likely to be sufficient in most cases to meet even the prior claims under category I and possibly category II. In equity, banks loans during the pre-take-over management period should also have been given due priority in the scheme of nationalisation. In any case, the NTC should have agreed to repay these dues over a period from the future profits. Now banks are left with no option but to write off these dues in which case the central government will receive lesser income from the banks and this situation could have been avoided by making NTC accept the pre-take over management dues also to settle over a period from future earnings.

secured loans

It is pertinent to mention in this connection that the loans given by banks to the sick textile undertakings during the pre-take-over management period were for the most part secured loans and had been granted in accordance with the established lending policies and practices of banks. In most cases, banks had given loans for creating specific assets and generating earning. And under government management after take-over especially during the last two years which have been particularly good for the textile industry—many of these undertakings have been able to build up their repaying capacity out of the assets the creation of which was financed by banks in the pre-take-over period. In equity, therefore, part of the surplus so generated should be applied towards gradual liquidation of bank loans relating to the pre-take-over management period.

The Act has created a situation in which the banks find that their advances granted for the purpose of nursing the sick units have turned into unsecured advances, have become frozen and recoveries have become difficult or impossible or are delayed indefinitely. The banks have therefore a strong case to feel sore about the sick textile mills affairs and to reluctant help them any more.

The new Act has also created certain procedural difficulties for the banks. As the nationalisation of the sick textile units was with retrospective effect from April 1, 1974 this has created accounting and legal problems as under:

effects of payments

(a) Questions have arisen as to the effect of payments made to the credit of the concerned cash credit account after April 1, 1974 but before the date of actual passing of the ordinance, i.e. September 21, 1974, since, at that time, the nationalisation of the sick textile undertakings had not in fact taken place and the account was a running continuous account. The issue, therefore, arises of appropriation of credit entries between the two accounts i.e. (i) which was existing upto March 31, 1974, and (ii) the new account opened after April 1, 1974. The NTC claims that the credit entries which are already made in the account of the sick textile undertakings should be reversed and should be credited in the new account after April 1, 1974.

(b) The NTC contends that in view of the vesting of the assets of the sick textile undertakings in the NTC free from the encumbrances under the Act the securities held by banks in respect of the liability incurred in the post-take-over management period ceases to be effective and these assets now vest in the NTC free from the earlier security in the banks' favour and they are entitled to take the delivery of such assets without payment. It is also reported to be the NTC's view that they are entitled to get fresh limits against such assets when hypothecated, freed from the earlier hypothecation.

In the meeting convened by the RBI on December 12, 1974 to discuss the credit needs of the textile mills managed by the NTC, the managing director of NTC had stated that keeping in view the norms of inventories laid down by the Tandon Committee, the total working capital requirements of the sick mills, on the basis of the estimated turnover of Rs 300 crores, would be around Rs 100 crores and that the bank credit quired (after allowing from the ma which would be provided by the gov ment) would work out to Rs 6 crores. As against this, out of the mills managed by NTC, only 80 n had credit limits of the order of 52.64 crores prior to the credit sque period, which were later pegged at 39.66 crores.

Stressing the importance of th sick mills, he stated that they rep sented 20 per cent of the cot textile industry and produced about per cent of their output as control cloth. He required that banks sho immediately consider credit sque levels. He also added that out of functioning mills, 17 mills did not enj any bank credit and as such their c dit requirements should be sympatha cally considered. He also suggested t as the accounts of many of these mi were not ready, banks should not ins on their furnishing the usual date befo considering credit limits.

redressing grievances

If banks should come forward who heartedly to help the sick mills run the NTC, they expect their grievanc to be resolved first particularly wi reference to the pre-take-over manag ment loans. Even as regards the pos take-over debts, it is desired that NT itself takes them over to be discharg in accordance with the terms and cond tions relating to such loans so that th accounting and legal hurdles could solved and the banks need not have th problem to find additional resources.

The NTC can also assume the pr take-over management debts if the are secured and in the case of unsecure loans they may be negotiated for pa ment over a period at an agree rate of interest. It appears tha as regards the pre-take-over manage ment dues, NTC is agreeable that th banks may refer all cases to the Solicito General or Attorney General and NT is prepared to abide by the opinion of th Solicitor General.

It is clear that unless something i done to solve the difficulties and problem of the banks as detailed above, it i too much to expect the banks to mak a further sacrifice to sustain the sick tex tile mills.

The concept of "capacity to pay"

M.L. Jain

R JAGJIVAN Ram, when he was minister r Labour, once said that the employers ho could not pay their employees well ve no right to exist as employers. But hen the Railway employees asked for gher emoluments, their demands were rned down and their strike ruthless ushed by the government. The same te overtook the employees of the fe Insurance Corporation and the pilots Indian Airlines. The government re-sed to yield on the ground that it had no capacity to pay".

Recently the employees of the Andhra tate Electricity Board stated that e loss to the board due to uneconomic upply of power to certain sectors should e reimbursed by the government rather han borne by the board and thus stop nulcting the employees on the ground hat it has no "capacity to pay".

In the case of port and harbour workers, nore recently, negotiations went on with he government while the workers were n a nation-wide strike. Normally negoti-tions at government level take place only luring normalcy i.e., when the strike is vithdrawn. The basic and most of the de-mands of workmen were agreed to. There-fter there was an announcement from he government that the port charges had o be revised upward to meet the extra wages committed to the workmen.

no guidelines

There are many examples to prove that there are no guidelines to establish "capacity to pay". Similarly there are no guidelines as to what should be the just emoluments of employees in general and/ or sector-wise (industry/location/ etc.). This results in confusion and the general public is the worst sufferer and unable to determine which party is reasonable and to be supported. The net result is loss of productivity, production as well as morale.

The answer is that the industry should pay the due cost of labour. Now, how to determine the cost of labour? This could be done by striking a balance between bargaining powers of the employers and the workers. But this cannot be done in the face of the concept of welfare state leading to government interference. There is absence of healthy industrial competition and the phenomena of surplus labour and political interference in economic activities. With price controls, both for raw materials and products, licences for capacities, import/export restrictions and so many other constraints, economic activity in India is not subject to open market competition. In fact Indian market is a protected market. On the other hand, labour being surplus, it has no bargaining power, and requires to be protected by law. In such a mixture of politics and economics, the cost of labour cannot be determined.

Then comes the question of the capacity to pay. Take the case of railways. Here revenue and capital expenditure is mixed up and the year's result is shown as 'deficit' or 'surplus' and not as 'profit' or 'loss'. Therefore it is not possible to know the 'capacity to pay'.

main stress

In the case of companies however the principles of determining the 'profit' are very well laid down by law and also governed by standard accountancy practices and procedures. The stress is on the fact that dividends are not paid out of capital, i.e. current year's profit should be the real earnings of the year and disbursement of dividends should not dwindle the 'capital' of the company. In spite of all this, the 'profit' in any case is the outcome of management decisions and economic compulsions and not the outcome of pure 'productivity' or even 'production' of workmen. In the case of companies two glaring examples of 'interest' and 'depreciation' are such that they can change the very face of 'profit' depending on management decisions. Therefore, it is clear that the outcome of a year's hard work of labour cannot be known by the accounts of an organisation and to link this to the term 'capacity to pay' which itself is a very vague term, can only cause and in reality is causing industrial strife with no satisfactory solution in sight.

Profit, surplus, gain, revenue etc. are not matters in which labour plays any role. These are the outcome of management decision and may be manipulated. It is only production quantity for which the workers may be directly responsible. Here also due to automation and the outcome of research in human behaviour, it is established that productivity and production is in the hands of management. Therefore, none of these terms can be related to 'capacity to pay'.

world market

In the context of free exchange of surpluses between nations, the world has almost become a single market. India can buy seed machinery from any country it chooses; similarly it can sell its leather goods to any country it prefers. In such a situation, ordinarily, the cost of labour should be uniform throughout the world. What an industry can pay to its workmen in Europe should be paid in India also for the same amount of work. Industry here must create 'capacity to pay' to its workmen the same wages as their counterparts get elsewhere for similar jobs. Otherwise industry is not worth its salt..

Then there is the controversy between the private sector and the public sector. While the private sector is considered synonymous with profiteering and efficiency, the public sector is considered inefficient. The result is that workmen doing similar jobs but in different sectors get different emoluments and amenities. In the present situation, the gap cannot be narrowed. Then how to determine the 'capacity to pay'.

One glaring example of the anomalies of welfare state is payment of minimum bonus irrespective of profit or loss. This Act is applicable to the private sector and only some industries in the public sector. Workers doing similar jobs in railways, ordnance factories, port trusts etc. are denied this benefit. Here everyone forgets 'capacity to pay'. The result is often

disruption of productivity in those sectors that are not liable to pay minimum bonus resulting into increased costs to the country.

What are the criteria for determining a workman's wages? Should wages depend on one's ability and capacity to generate more wealth or on the basis of the number of his family members or on the caste and tribe to which he belongs, or being a 'Son of the Soil', or a disabled person? We should not encourage charity in a country seeking self-reliance. Everyone should be taught, helped, assisted and motivated to earn his living and keep on improving rather than be a burden on society. The function of the government should be only political support and never economic interference.

It is clear that the concept of 'capacity to pay' is vague and irrelevant and a measure adopted by the politicians to escape their responsibilities in the economic field.

The concept of 'capacity to pay' can even be called non-democratic and non-socialist since it deprives a hard and efficient workman of means to improve his lot..

In the industrially advanced countries there is competition both among the producers and workmen and remuneration of labour is linked with productivity. This concept has brought prosperity to the workmen and the industry and developed bargaining power of both. There are not many industrial disruptions, since there is clear 'sharing of prosperity' and not merely 'wage for a day's attendance' (not necessarily day's work). This in essence is true socialism and democracy and yet we call such nations where this is in practice capitalist. It is a socialistic, democratic welfare state such as ours which is depriving the country's workmen of prosperity by imposing politics over economics not necessarily in the interest of the nation.

With this background the question of rights, privileges and dues of workmen and their approach can be considered. In a non-competitive and protected market with production facilities spread all over the country and even outside the country, and the bulk of large industry in the public sector, agitational approach or stoppage of work does not serve the purpose of hurting the individual capitalis[t]. Today the state is the capitalist. Th[e] approach of agitations, strikes etc. ha[s] thus become irrelevant in the present eco[]nomic system.

All workmen should under these cir[]cumstances lay stress on linking thei[r] wages with productivity and productio[n] and nothing else. To improve their skill they must demand from employers educa[]tional and training facilities. The work[]men themselves should make efforts a[t] weeding out inefficient, lazy and politi[]cally motivated workmen and thus brin[g] prosperity to themselves and the country. The workmen should apply the doctrine o[f] 'self-reliance' and improve their 'earnin[g] capacity' by adopting economic mean[s] rather than political means for betterin[g] their lot. Thus they can ensure prosper[]ity for themselves and the country.

Today educated and efficient workers are in a position to look to their own interests and keep politics out. The workers should rely on the concept of 'capacity to earn' rather than on the concept of 'capacity to pay'.

US investment in western Europe-II

London

Jossleyn Hennessy

I

w Real is the Arab "threat"

E OUTWARD investment from the strialised and wealthier nations has characteristic of international eco-ic life in the thirty years following rld War-II, the question arises whe- the oil producing, and therefore in their turn wealthy, nations may minate the investment scene in the t decade.

Some fifteen months after the 1973 ap in world market prices for crude, re has been no great move towards s. Although real estate investment m the middle east has been in evi-nce, the bulk of middle eastern money s gone into the west via short-term

WINDOW ON THE WORLD

hannels or specialised government-to-government loans.

Recycling equipment for petrodollars hrough IMF, OECD and EEC mecha-nisms has begun to take shape: the time delay for its establishment is another form of evidence of the differences of policy opinion and difficulties of reaching concensus among the industrially produc-tive democracies.

On the other hand, agreement may be growing on one issue, the concern about potential oil-producer domination of the productive economies in the west. Two western economic leaders, west Germany and the USA, began early in 1975 to take up a public stand.

In West Germany, it is the banks which appear to have been nominated as protectors of German patriotic interests. Iran in 1974 bought 25 per cent of Krupp, probably the first public indicator of what one oil-producer might be capable of doing with its share of the \$50-\$60,000 million annual surplus being built up. In the last month of 1974, Kuwait purchased a family-held 14 per cent of Daimler-Benz. A month later there were indications that Iran was interested in Daimler-Benz shares held by another German family. The Deutsche Bank intervened to buy most of the shares instead, at somewhat above market price, for around \$860 million. At about the same time the German Commerzbank increased its holdings in Guttehoffnungshutte, machinery manufaeturers best known for their control of MAN, so that additional shares then available would not go into the open market where they might tempt middle east purchasers.

Rumours in the USA at the end of 1974 were that US banking interests were arranging to assist middle eastern clients in managing their US industrial investments. So in January, 1975, a protectionist bill was introduced in the US Senate. Reported to have wide senatorial support, the bill would empower the president to review and prevent foreign investment in US industry deemed contrary to interests of US policy, economy, or security. Washington observers interpreted it to be directed against the newly-wealthier oil producing states. If passed, it could of course be employed against any inward investment. How it may be used will be another symbol of US evaluation of transatlantic solidarity.

But into 1974 the USA had had no difficulty in maintaining its place as the largest international investor, and one of the questions constantly raised was whether the flow of funds was net plus or minus to the recipient nation.

Any direct invetsor usually expects in a span of years to get his original money back, as does his own government, and this obviously has made other governments wary in their dealings with the US-based multinational or smaller firm with international aspirations.

For western Europe as a whole, and the EEC-Six and the UK specifically, the record of surface financial gain in terms of capital flow from the USA has been on the plus side.

reducing the drain

Although the use of reinvested earnings for investment additions has gone steadily upward, the averages favour capital flow. The basic statistics, of course do not indicate where the capital was raised or came from, the USA or Eurocurrency markets or other sources. Steps taken by US administrations since President Johnson first announced concern about the apparent damage of US investment abroad to the US balance payments were designed to reduce the drain of dollars from the USA, not to stop investment expansion. From the first several years of experience, it may have looked as if a trend were setting in: capital flows to US affiliates in western Europe dropped away from the peak of \$1,800 million in 1966 and did not return to that level until they reached \$1,900 million in 1970. Total new investment followed the same pattern.

A general assumption is that reinvested earnings will contribute more to new investment as the affiliate grows older and better established and the host economy expands. Comparison of the periods of 1965/69 and 1970/73 (one year shorter) show that investment additions from the USA in the EEC-Six, for example, contained only 19 per cent of reinvested earnings for the first period but 52 per cent for the second. The 1970/73 ratio, however, does not point up the trend of

the 1970s. For western Europe as a whole, reinvested earnings exceeded capital flows in aggregate investment additions for both 1972 and 1973, and for the EEC-Six in 1973. With profits higher as a result of both increased economic activity and the devaluation of the dollar, the affiliates could afford to rely less on new capital. Devaluation of the dollar also lowered the amount of earnings they had to use for dividends and interest paid to the US parent company in dollars.

Nearly all of the statistics on US direct investment show the differences between the UK and original Six of the EEC.

Before, 1963, the total amount of US direct holdings in the UK was higher than in all the EEC-Six, but it required only ten years for the latter to become nearly two-thirds greater. If the UK had become a member of the Community in the early 1960s, it might have remained the favoured site. But investment is placed where the potentials lie, host government rules permitting, and the EEC provided an attractive alternative to the UK.

marked access

The larger the domestic and extended export market, the more likely the manufacturer can expand while turning a profit. Although a collections of factors enters into most companies' foreign investment decisions, market access in one form or another customarily is the first. The purpose may be to try to capture a market, maintain a given share in it, or edge out the actual or expected competition. In an *Economist Intelligence Unit* survey among senior executives in US operations in the UK in late 1974, more than half—52 per cent—listed "marked access" as the predominant reason for their firm's original investment. They were referring not only to the domestic UK market but to the European market as well.

The market motive has been important in the trends of US investment in Europe. Although investment has accumulated where a market has existed for a long time, the fastest movement upward is where the local and the export market combine for the best of possible worlds. When the importance of the Commonwealth and Commonwealth Preferences started to recede in the 1960s and the Common Market began to take on the shape of the continental USA in terms of consumer and industrial sales, the US money flow followed suit. Between 1965/73, all but one year showed a higher rate of increase in book value in the EEC-Six than in the UK. Earnings ratios of US affiliates in the EEC-Six were somewhat slower to get ahead but had done so by 1969 and have stayed that way since.

Sales growth of majority-owned affiliates in western Europe is one (although incomplete) way of examining market growth — or the ability of US parents to forecast shrewdly. Between 1966/72, affiliates in manufacturing industries in the EEC-Six more than tripled their total sales. In West Germany, where the annual rate of investment increase is fast, the dollar gain in sales was highest. Export sales of manufacturing affiliates in the EEC-Six continued to make up a sizeable portion—28 per cent—of their total sales. This is considerably higher, incidentally, than that for subsidiaries in developed countries as a whole and especially Japan and Canada.

high growth rates

A breakdown of subsidiaries' sales growth in the eight west European countries which have the largest accumulations of US direct investment in manufacturing shows seven with a 1966/72 growth of 150 per cent or more (West Germany with 206 per cent), and one, the UK, with a relatively weak 89 per cent.

To some, the place of Spain in the west European lists may seem surprising. Not long out of the developing country ranks, a member of neither the EEC nor EFTA (nor NATO), Spain might not seem a better place than Denmar[k] Sweden, Austria or Norway for dire[ct] investment. Nevertheless, the 1973 boo[k] value amount from US parents in Spa[in] was $1,017 million for all categories a[nd] $563 million in manufacturing alone, the eighth highest in Europe. For 19[74] and 1975, it was seventh in amounts [of] estimated capital expenditure by majorit[y-]owned US affiliates. US subsidiari[es] in Spanish manufacturing in 1972 ha[d] total sales of $1,680 million.

The reasons are:

First, Spain since 1970 has had [a] preferential trade agreement with th[e] EEC, and is geographically in a relative[ly] advantageous position for export to th[e] rest of Europe as well as to North Am[e]rica. Motor car manufacturers in part[i]cular were quick to realise this and b[y] 1973 Citroen Hispania was shipping 2[?] per cent of its production to the Nethe[r]lands; SEAT was exporting a seventh of i[ts] production and Chrysler was steppin[g] up exports of its Simca production i[n] Spain for export to France, to name bu[t] three. Other industries show a simila[r] success story: Pirelli Espania, Micheli[n] and Hispano Olivetti were all quic[k] to take advantage of the EEC market.

Second, low labour costs along wit[h] negligible labour unrest have attracte[d] the foreigner with capital, machiner[y] and technology. The government ha[s] offered incentives to investors in i[ts]

TABLE I

Financing of US Direct Investment in Western Europe

	1965-69		1970-73		Total 1965-73	
	Ratio of reinvested earnings to capital flow		Ratio of reinvested earnings to capital flow		Ratio of reinvested earnings to capital flow	
	$ mn	%	$ mn	%	$ mn	%
W. Europe						
Capital flows	6,981		8,191		15,172	
Reinvested earnings *	2,441	35	7,398	90	9,839	65
EEC-Six						
Capital flows	3,953		5,110		9,063	
Reinvested earnings *	749	19	3,933	77	4,682	52
UK						
Capital flows	1,730		2,222		3,952	
Reinvested earnings *	880	51	1,719	77	2,599	66
Other W. Europe						
Capital flows	1,298		859		2,157	
Reinvested earnings *	812	63	1,746	203	3,558	119

* US owners' share in reinvested earnings of affiliates.

ty to reduce its unemployment. e incentives are now being increased eet the problem of migrant workers ning home from nothern Europe in vake of the current recession. Tax tes and even cash subsidies are offered me regions.

hird, Spain has an advantage over nore developed countries in Europe use of the ease with which planning nission can be obtained. Elsewhere estern Europe environmental consi-tions are becoming a significant de-ent (e.g. the Rhine areas of West many) as these countries face pro-ns of pollution and overcrowd-

The increase of non-food exports from in since the mid-1960s has been ctacular. Between 1963/72, the OECD re of total Spanish exports went up n one-third to three-quarters. Indus-l exports have risen at a rate of 25 cent per year. While Spain's exports ounted to only one per cent of aggre-e OECD exports in 1971 they per-med better between 1964/71 than any the EEC countries. In other words, re was an opportunity for profitable nufacture if the investor found the right lustrial field. Significantly, the $536 llion of 1972 sales by US subsidiaries Spain in chemicals and allied products s nearly half the comparable figure om the Netherlands, of Belgium-xemburg, and nearly a third of that om West Germany. Spanish regu-tions on environmental pollution are s rigid.

ompetitive advantage

The OECD emphasises the competi-ve advantage of the "substantial" fference between labour costs in Spain and in other European nations. 1970, they were four times greater West Germany, three times in Belgium nd the Netherlands, and about two-and-half times in France and Italy. On e other hand, the expectation that eneral Motors would buy the Authi terests of British Leyland ceased in rly 1975 amid signs that Spanish autho-ties were hardening their demands that anufacturers concentrate on the do-estic rather than export market.

The expansion of US affiliates in estern Europe for the past decade as had considearbly more go than top.

Book values, annual increments, apital expenditures, and sales kept clim-ing. This has not gone unnoticed but t has attracted less attention than ight be expected from the fears which seemed rampant in Europe in the last parts of the 1960s. US activity has not been submerged in the shuffle of Europe's own expansion, but the latter has helped to divert attention. From 1972 to 1973, West Germany's exports rose 45.6 per cent; Belgium-Luxemburg's, over 46 per cent; France's, 40.8 per cent; the Netherlands', over 50 per cent; and Switzerland's, 42.1 per cent. Meanwhile in the UK, where specialised surveys indicate a sudden jump in elite concern about foreign inward investment (especially from the USA), exports rose only 21.2 per cent and the balance of trade worsened. For both 1973 and 1974, the rate of GDP growth for nearly all of the EEC-Six was better than that of the USA. While attitudes are not controlled by arithmatic there is often a correlation.

Sources and acknowledgements: The foregoing is the second and concluding summary, made by special arrangement, of a copyright report in the latest issue of *European Trends*, published quarterly, to subscribers only, by the *Economist Intelligence Unit* (27 St. Jame's Place, London SWIA:INT, obtainable in India from J. A. Shah, 67 Marine Drive, Bombay 20) but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

TABLE II

US Direct Investment and Earnings

($ million)

	Book value of investment		Annual per cent increase		Earnings of affiliates		Ratio of earnings to book value (%)	
	UK	EEC (six)	UK	EEC (six)	UK	EEC (six)	UK	EEC (six)
1965	5,123	6,304	—	—	504	395	—	—
1966	5,679	7,587	11.8	20.6	432	436	8	7
1967	6,113	8,444	7,0	10.5	378	448	7	6
1968	6,694	9,012	9.8	7.1	503	543	8	6
1969	7,190	10,255	7.5	14.4	502	945	8	10
1970	7,996	11,774	11.1	14.5	593	1,313	8	13
1971	9,007	13,605	12.5	15.3	779	1,384	10	12
1972	9,582	15,720	6.6	15.4	1,086	1,886	12	14
1973	11,115	19,294	15.6	22.9	1,450	3,188	15	20

TABLE III

Sales by Majority-Owned US Affiliates in Manufacturing

($ billion)

	Book value of investment	Total sales		Per cent increase
	1973	1966	1972	
UK	6.8	8.3	15.7	89
W. Germany	4.7	4.8	14.7	206
France	3.1	3.1	8.4	171
Belgium & Luxemburg	1.4	1.1	4.3	290
Italy	1.4	1.5	4.2	180
Netherlands	1.2	0.9	3.8	322
Switzerland	0.7	0.6	1.5	150
Spain	0.6	0.5	1.7	240

Will Britain be a good European?

Vienna

E.B. Brook

IN TWO weeks' time the world will know if Britain has decided to remain a member of the European Community or to leave it, as it left EFTA, and go ahead on its own. If, as the majority seem to think will be the case, Britain continues its membership, the future will be relatively plain sailing. If the answer has been to withdraw from membership there will be many complications.

West Europe is waiting a trifle impatiently for the answer. The impatience arises not so much from any undue sense of the importance of Britain to the Market—it did very well for over 15 years without the British and refused them admission twice—as from irritation at inability to go ahead with important decisions without knowing how wide an area of Europe would be affected by them. Progress towards a monetary union, on which the French and others are still determined despite the doubting opinions of their own experts, is one such subject, unity over nuclear and energy problems is another. Several ministrial meetings on foreign affairs, energy and development have been shelved until after June 5 and secretarial work in Brussels slowed to the most routine matters. Brussels has been very careful to avoid doing or saying anything that might aid the anti-marketeers in Britain.

a good European

If the Britain say, no, the British are going to find their way out of their European Community obligations unusually arduous. The resentment of the Europeans who have waited while the British slowly negotiated themselves in will be a force to reckon with if they now set gears in reverse and try to negotiate themselves out. If the British decide to remain they will find the other Community members, so far from welcoming home the prodigal son, insisting that in future the British behave in a flexible and accommodating manner. It will not be easy for the British at last to be "good Europeans"; it will be extremely difficult to be ex-Europeans.

Apart from the difficult, argumentative and continuingly bargaining attitude of the British in Brussels and Luxemburg their steadily worsening economic crisis and near-class-war threaten to make them even more of an unwanted sick man of Europe than the Italians.

It is doubtful if a negative result from the British referendum will be immediately accepted by the European Community as a definite decision of withdrawal. A referendum is a novelty in Britain, not at all approved by many British, and Brussels is likely to insist that authority in Britain lies with the elected parliament and the cabinet and not with any directly elicited voice of the people. They would argue that even though there might be a majority in the British Isles wishing to withdraw from membership the majority of British parliamentarians representing all parties wish British membership to continue and that the majority of the Labour cabinet feel the same way.

new trade agreement

If Britain decides to withdraw its government might try to negotiate a free trade agreement with its former partners the terms of any such agreement would have to be approved unanimously by the remaining eight Market members. The one thing the Brussels Commission fears is that, remaining at least temporarily a member of the European Community, Britain would use its veto within the Council of Ministers to negative decisions which have been already agreed. There seems, according to information from Geneva, that Britain would not be welcomed back by the European Free Trade Association it deserted.

The situation if Britain says "no" will certainly be interesting but there would be great political and commercial confusion throughout west Europe. A firm statement by Britain about its continued full cooperation at the last NATO meeting in Brussels and an official pledge to the OECD in Paris on continued cooperation over trade will help to steady confidences which have been shaken already and may possibly be shaken some more in the very near future. A negative decision by Britain might make the Danes reconsider their Market membership and would further divide Britain from its former partconstituent, the Republic of Ireland which will certainly remain in the Market.

The staff of the OECD in their last report did nothing to ease west European anxieties. The OECD's nation-members have experienced une pectedly sharp falls in industrial outp and trade, large rises in unemploym and, in many cases, serious weakeni in the value of currencies. As usual, OECD officials try to sugar the econ mic pill by speaking of an "upswing" the latter half of this year but have agree there is little sign of it yet. T general slowdown in world trade is som thing new in world economy.

There are signs that both Britain a the USA are moving towards new at tudes in their foreign economic polici through support of commodity agre ments. Britain has already given u qualified endorsement to internation commodity price deals. The USA, hithe to opposed to such attitudes, show signs of changing its mind for fear another period like 1972-73 wh booming economies in the west dro prices of food and raw materials abnormally high levels. Between Oct ber 1971 and May 1974 the price commodities other than oil tripled a since May last year have declined by on 23 per cent. This phenomenon h persuaded London, and eventuall Washington of the wisdom of agreeing upper and lower limits for raw materia prices.

commodity pacts

In recent years consumer and produ cer states have tried commodity pac over coffee, cocoa, sugar, wheat a tin. Only the tin agreement is sti working; the others had limited succe and were slowly abandoned. The agre ments have usually shattered because th producers would not restrain their e ports or because the buffer stock wa too small to satisfy an exuberant demand London's opinion, cautiously echoed b Washington, justify extension of agre ments to rubber, dairy products, ju and sisal, tea and copper.

The central objective of such pac would be to replace wide swings prices caused by market forces wit orderly, controlled trade. Bitter experien ces within UNCTAD in the last ten yea certainly suggest wisdom in such agre ments; the success of the oil-produce in the last three years will make bargai ing over price levels unusually intense

PUNJAB NATIONA

Balance Sheet as a

1973	CAPITAL & LIABILITIES			
Rs.			Rs. P.	Rs.
	1. **PAID-UP CAPITAL:**			
2,00,00,000	(Wholly owned by Central Government)			2,00,00,000.
	2. **RESERVE FUND AND OTHER RESERVES:**			
5,94,40,656	(i) Reserve Fund		6,69,90,655.94	
1,28,78,000	(ii) Other Reserves		1,28,78,000.00	
7,23,18,656				7,98,68,655.
	3. **DEPOSITS AND OTHER ACCOUNTS:**			
	Fixed Deposits:			
4,81,15,054	(i) From Banks	7,35,86,837.99		
340,78,70,993	(ii) From Others	385,63,76,933.81		
345,59,86,047			392,99,63,771.80	
251,24,71,845	Savings Bank Deposits		275,14,52,250.87	
	Current Accounts, Contingency Accounts, etc. (including Staff Housing Fund)			
3,05,46,902	(i) From Banks	3,41,65,859.61		
140,35,77,456	(ii) From Others	154,29,75,241.41		
143,41,24,358			157,71,41,101.02	
52,30,694	Employees' Security Deposits held by the Bank itself		52,79,798.45	
740,78,12,944				826,38,36,922.1
	4. **BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS ETC:**			
6,20,33,003	(i) In India		2,98,54,286.01	
3,81,906	(ii) Outside India		70,52,204.39	
6,24,14,909				3,69,06,490.4
	Particulars:			
	(i) Secured:			
25,83,003	(a) By part of Bank's Investment		12,09,549.28	
Nil	(b) Under the refinance scheme of the Industrial Development Bank of India by part of Advances		88,59,296.73	
Nil	(c) Under the Participation Certificates Scheme by part of Advances		90,00,000.00	
Nil	(d) Under the Agricultural Refinance Corporation Scheme by part of Advances		97,35,440.00	
			2,88,04,286.01	
5,98,31,906	(ii) Unsecured		81,02,204.39	
9,94,88,684	5. **BILLS PAYABLE**			11,19,19,815.31
	6. **BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA:**			
33,16,23,341	(i) Payable in India		42,01,88,501.01	
2,95,70,808	(ii) Payable outside India		6,37,10,727.63	
36,11,94,149				48,38,99,228.64
	7. **OTHER LIABILITIES:**			
23,97,69,755	(i) Branch Adjustments		27,02,47,506.01	
3,86,795	(ii) Unclaimed Dividends		3,85,539.28	
63,23,518	(iii) Rebate on Bills Discounted		48,08,702.97	
6,39,000	(iv) Others		24,94,686.22	
24,71,19,068				27,79,36,434.48
827,03,48,410	Carried Over			927,43,67,546.91

ANK

lst December, 1974

1973	PROPERTY & ASSETS				
Rs.				Rs. P.	Rs. P.
	1. CASH:				
,49,79.397	In hand and with Reserve Bank of India and State Bank of India (including Foreign Currency Notes)				66,03,92,018.80
	2. BALANCE WITH OTHER BANKS:				
	On Current Account				
,43,33,328	(i) In India			1,29,39,695.95	
2,41,60,009	(ii) Outside India			25,26,751.50	
3,84,93,337					1,54,66,447.45
4,71,00,000	3. MONEY AT CALL AND SHORT NOTICE				30,62,00,000.00
	4. INVESTMENTS (AT OR BELOW COST)				
1.00.02,479	(i) (a) Securities (including Treasury Bills) of the Central and State Governments			223,31,76,869.84	
7,00,25,521	(b) Other Trustee Securities			51,12,18,946.58	
8,00,28.000	(Market Value Rs. 267,78,03,769.33)			274,43,95,816.42	
	(ii) Shares:	*Fully paid-up*	*Partly paid-up*		
3,28,000	Preference	3,28,000.00	Nil		
1,65,08,238	Ordinary	1,06,43,787.40	71,22,450.00		
1,68,36,238				1,80,94,237.40	
1,47,92,576	(iii) Debentures or Bonds			2,58,18,937.00	
	(iv) Other Investments:				
4.50,000	(a) Contribution to initial capital of Unit Trust of India			4.50.000.00	
12,25,000	(b) 7.25% Ahmedabad Municipal Corporation Loan			12,25.000.00	
Nil	(v) Gold			Nil	
51,33,31,814					278,99,83,990.82
	5. ADVANCES: (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)				
	1. Loans, Cash Credits, Overdrafts etc.				
24,34,91,700	(i) In India		396,04,46,864.24		
Nil	(ii) Outside India		Nil		
324.34,91,700				396,04,46,864.24	
	II. Bills Discounted & Purchased (excluding Treasury Bills of the Central and State Governments):				
95.34,74,870	(i) Payable in India		74,17.85,708.10		
8,39,74,176	(ii) Payable outside India		10,69,86,153.58		
103,74,49,046				84,87,71,861.68	
428.09.40,746	(Particulars of Advances as per Schedule attached)				480,92,18,725.92
	6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA:				
33,16,23,341	(i) Payable in India			42,01,88,501.01	
2,95,70,808	(ii) Payable outside India			6,37,10,727.63	
36,11,94,149					48,38,99,228.64
73,41,64,060	7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA				75.83.62,791.63
884,02,03,503	Carried Over				982.35.23.203.26

PUNJAB NATIONAL
Balance Sheet as at

1973	CAPITAL & LIABILITIES			
Rs.			Rs. P.	Rs. P
827,03,48,410	Brought Forward			927,43,67,546.9
73,41,64,060	8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA			75,83,62,791.6
	9. PROFIT AND LOSS ACCOUNT:			
2,39,54,684	Profit for the year as per Profit & Loss Account annexed		3,02,36,158.08	
	Less:			
1,37,00,000	(i) Provision for bonus to staff	1,63,00,000.00		
48,00,000	(ii) Transferred to Reserve Fund in terms of Sec. 3 (6) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970	75,50,000.00		
1,85,00,000			2,38,50,000.00	
54,54,684	Balance being amount to be transferred to Central Government in terms of Sec. 10 (7) of the Banking Companies (Acquisition & transfer of Undertakings) Act, 1970			63,86,158.08
	10. CONTINGENT LIABILITIES:			
1,33,50,366	(i) Claims against the Bank not acknowledged as debts (See Note 1)		1,42,43,077.12	
45,41,39,777	(ii) Moneys for which the Bank is contingently liable including guarantees on behalf of:		51,06,85,739.71	
11,818	(a) Officers		11,818.14	
44,58,53,485	(b) Customers		51,02,35,421.50	
1,92,34,140	(iii) Liability in respect of Bills rediscounted		2,84,16,134.47	
37,07,06,589	(iv) Outstanding Forward Exchange Contracts		50,23,80,646.42	
83,72,450	(v) Uncalled Liability on partly paid shares		71,22,450.00	
900,99,67,154				1003,91,16,496.62

NOTES:
1. A writ petition has been filed in the High Court of Delhi by the Punjab National Bank Limited and three of its shareholders in November, 1970 claiming payment of ad-interim dividend of Rs. 24 lacs sanctioned by their Board of Directors on 16.7.1969. The said claim has not been acknowledged as a debt and has not been included in the amount of Contingent Liabilities.
2. The Lahore and Karachi branches of the Bank were taken over by the Custodian of Enemy Property, Pakistan, in the year 1965. No returns having been recieved from these branches after 30th June, 1965 the figures of Assets and Liabilities, as at 30-6-1965 which were adopted for the Accounts as on 31st December, 1973, have been incorporated at par, in the Balance-Sheet as at 31st December, 1974.
3. The inter-branch balances have not been reconciled.
4. At some offices the subsidiary records have not been agreed with the control accounts; at some offices, the balances with other Banks were not reconciled; at some offices the Suspense accounts, the sundry accounts and Bank reconciliation statements include long outstanding items pending adjustment.
5. An amount of Rs. 26.29 lacs being the excess of the bonus for the year 1973 paid during the current year over the provision made last year has been debited to the Contingency Account and is thus not charged to the Profit & Loss Account for the year 1974. The provision for bonus for the year 1974 has been made at Rs. 163 lacs. Shortfall, if any, in the provision is proposed to be met out of Contingency Account.
6. In case of unaudited branches, in the absence of adequate returns the classification of advances made by the Bank has been accepted by the auditors.

ANK

lst December, 1974

1973	PROPERTY & ASSETS			
Rs.			Rs. P.	Rs. P.
4,02,03,503	Brought Forward			982,35,23,203.26
	8. **PREMISES LESS DEPRECIATION**:			
	(i) Premises:			
1,61,93,514	Cost as on 1.1.1974		1,74,80,778.63	
12,87,265	Additions during the year		10,09,411.33	
1,74,80,779			1,84,90,189.96	
38,75,600	*Less*: Depreciation written off		41,76,626.61	
1,36,05,179			1,43,13,563.35	
1,60,000	(ii) Buildings under construction		7,96,600.00	
	(iii) Premises in respect of which execution of title deeds is pending:			
14,83,907	Cost as on 1.1.1974	15,23,927.62		
40,020	Additions during the year	Nil		
15,23,927		15,23,927.62		
2,12,832	*Less*: Depreciation written off	2,61,969.25		
13,11,095			12,61,958.37	
1,50,76,274	9. **FURNITURE & FIXTURES LESS DEPRECIATION**:			163,72,121.72
4,13,05,341	Cost as on 1.1.1974		4,91,06,718.65	
82,11,119	Additions during the year		98,41,366.69	
4,95,16,460			5,89,48,085.34	
4,09,741	*Less*: Deductions during the year		3,94,204.10	
4,91,06,719			5,85,53,881.24	
2,48,69,646	*Less*: Depreciation written off		2,86,63,101.07	
2,42,37,073				2,98,90,780.17
	10. **OTHER ASSETS**:			
4,82,92,266	(i) Interest accrued and outstanding		5,06,29,115.53	
1,25,69,615	(ii) Prepaid expenses, advance payments and amount recoverable		3,60,76,288.66	
4,05,573	(iii) Property not used as Bank premises less depreciation		4,09,414.23	
16,54,894	(iv) Library, Motor Cars, Cycles & other vehicles less depreciation		16,46,181.99	
58,12,636	(v) Stationery & Stamps		80,15,313.53	
67,82,750	(vi) Amount paid for purchase of Trustee Securities		54,12,250.00	
5,49,15,570	(vii) Advance payment of tax and tax deducted at source		6,71,24,827.53	
13,04,33,304				16,93,13,391.47
	11. **NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS**			17,000.00
17,000	(at or below cost)			
900,99,67,154				1003,91,16,496.62

7. The figures for the previous year have been regrouped where necessary.

P.L. Tandon
Chairman
A.K. Dutt
A.S. Kahlon
B.M. Gogte
B.N. Mehrotra
D.P. Chadha
I.S. Ahluwalia
M. Abdulla
S. N. Bhargava
V.M. Jakhade
V.N. Kak
Directors

ANNEXURE TO OUR REPORT OF DATE

B.R. Bahl
Sr. Chief
Financial Admn.

O.P. Gupta
Dy. General
Manager

B.K. Vora
General
Manager

Haribhakti & Co.
Chartered Accountants

MC Bhandari & Co.
Chartered Accountants

KC Khanna & Co.
Chartered Accountants

NEW DELHI
May 7, 1975

PUNJAB NATIONAL BANK

Profit and Loss Account for the year ended 31st December, 1974

1973	INCOME	
Rs.		Rs. P.
	(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
48,57,47,401	1. Interest and Discount	63,90,68,722.25
5,31,06,528	2. Commission, Exchange and Brokerage	7,43,72,318.20
24,71,263	3. Rents	27,87,819.65
14,44,734	4. Net profit on sale of investments, gold & silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	10,56,572.73
Nil	5. Not profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	Nil
Nil	6. Income from non-banking assets and profit from sale of or dealing with such assets	Nil
54,27,69,926		71,72,85,432.83

1973	EXPENDITURE	
Rs.		Rs. P.
30,30,31,581	1. Interest paid on Deposits, Borrowings etc.	42,51,25,674.98
17,25,98,619	2. Salaries, Allowances and Provident Fund (including contribution to Gratuity Fund Trust etc.)	21,16,88,740.53
38,279	3. Directors' and Local Committee Members' Fees and Allowances	58,786.19
1,60,51,664	4. Rent, Taxes, Insurance, Lighting etc.	1,78,35,680.50
5,21,294	5. Law Charges	7,01,837.94
47,38,661	6. Postage, Telegrams and Stamps	50,12,563.29
4,64,000	7. Auditors' Fees	5,20,300.00
47,98,598	8. Depreciation on and repairs to the Bank's property	57,30,840.08
47,71,679	9. Stationery, Printing, Advertisement etc.	63,93,763.94
Nil	10. Loss from sale of or dealing with non-banking assets	Nil
1,18,00,867	11. Other Expenditure	1,39,81,087.30
2,39,54,684	12. Balance of Profit (after providing for Taxation but before provision for Bonus)	3,02,36,158.08
54,27,69,926		71,72,85,432.83

NOTES:

1. Particulars of remuneration to Chief Executive of the Bank (i) Salary Rs. 48,000.00 (Rs. 48,000) (ii) Contribution to Provident Fund Rs. 3,999.96 (Rs. 3,999) (iii) Medical Expenses reimbursed Rs. 1,216.33 (Rs. 990) (iv) Monetary Value of other benefits or perquisites Rs. 6,438.29 (Rs. 292) — Total Rs. 59,654.58 (Rs. 53,281).
2. The amount shown against item No. 9—"Stationery, Printing, Advertisement etc." includes expenditure of Rs 10,60,228.48 (9,92,913) on Public Relations and Publicity.

P.L. Tandon
Chairman
A.K. Dutt
A.S. Kahlon
B.M. Gogte
B.N. Mehrotra
D.P. Chadha
I.S. Ahluwalia
M. Abdulla
S.N. Bhargava
V.M. Jakhade
V.N. Kak
Directors

ANNEXURE TO OUR REPORT OF DATE

B.R. Bahl, Sr. Chief Financial Admn.
O.P. Gupta, Dy. General Manager
B.K. Vora, General Manager

Haribhakti & Co.
Chartered Accountants

MC Bhandari & Co
Chartered Accountants

KC Khanna & Co.
Chartered Accountants

New Delhi
May 7, 1975

PUNJAB NATIONAL BANK

Schedule of Particulars

Required by the Banking Regulation Act, 1949 (Act X of 1949) attached to and forming part of the Balance Sheet as at 31st December, 1974

1973		PARTICULARS OF ADVANCES		
Rs.			Rs. P.	Rs. P
2,96,97,771	(i)	Debts considered good in respect of which the Bank is fully secured		398,78,99,083,92
9,03,03,954	(ii)	Debts considered good for which the Bank holds no other security than the debtors' personal security		17,10,36,387.11
6,09,39,021	(iii)	Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		65,02,83,254.89
Nil	(iv)	Debts considered doubtful or bad not provided for		Nil
28,09,40,746				480,92,18,725.92
	(v)	Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons:		
15,290		Directors	73,088.10	
1,22,98,492		Officers	1,38,59 414.08	
1,23,13,782				1,39,32,502.18
Nil	(vi)	Debts due by Companies or firms in which the Directors of the Bank are interested as Directors; Partners, or Managing Agents or in the case of private companies, as members		Nil
	(vii)	Maximum total amount of advances including temporary advances made at any time during the year to Directors, Managers or Officers of the Bank or any of them either severally or jointly with any other persons.		
17,000		Directors	76,507.95	
1,22,98,492		Officers	1,60,17,298.59	
1,23,15,492				1,60,93,806.54
5,52,809	(viii)	Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of private companies, as members		Nil
78,70,730	(ix)	Due from Banking Companies and Nationalised Banks		99,41,872.07

P.L. Tandon
Chairman
A.K. Dutt
A.S. Kahlon
B.M. Gogte
B.N. Mehrotra
D.P. Chadha
I.S. Ahluwalia
M. Abdulla
S.N. Bhargava
V.M. Jakhade
V.N. Kak
Directors

B.R. Bahl, Sr. Chief Financial Admn.
O.P. Gupta, Dy. General Manager
B.K. Vora, General Manager

Haribhakti & Co.
Chartered Accountants

MC Bhandari & Co.
Chartered Accountants

KC Khanna & Co.
Chartered Accountants

New Delhi
May 7, 1975

Auditors' Report

The President of India:

We have audited the attached Balance Sheet of Punjab National Bank as at 31st December, 1974 and also the attached Profi & Loss Account of the Bank for the year ended upon that date in which are incorporated the returns of 36 branches, audited by us 399 branches audited by other auditors, the unaudited returns as at 30.6.1965 of the Pakistan branches (see note 2 to Balance Sheet and the unaudited returns in respect of 680 branches and one Foreign Exchange Department. The branches to be audited by us an the branches to be audited by other auditors have been selected by the Bank in accordance with the guidelines issued by the Reserv Bank of India.

2. The Balance Sheet and Profit & Loss Account have been drawn up in Forms 'A' and 'B' respectively of the third schedul of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of Bankin Companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Com panies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph an subject to the adjustments, if any, arising from settlement of issues stated in notes 3, 4, 5 & 6 to the Balance Sheet, we repor that:

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books o the Bank:
   (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessar particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31s December, 1974;
   (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covere by the Account.

(b) We have obtained all the informations and explanations which to the best of our knowledge and belief wer necessary for the purposes of our audit and have found them to be satisfactory.

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

(d) The returns received from the branches of the Bank (except for Pakistan branches—see note 2 to Balance Sheet have been found adequate for the purposes of our audit.

New Delhi May 7, 1975	Haribhakti & Co. *Chartered Accountants*	MC Bhandari & Co. *Chartered Accountants*	KC Khanna & Co. *Chartered Accountants*

TRADE WINDS

Concessions to Export

THE RESERVE Bank of India announced on May 28 incentives to the export sector in view of recent international developments. The bank in modification of its directive governing export credit policy announced by the Governor on May 8, has provided some relief in preshipment and packing credit for specified medium and heavy engineering goods as well as construction contracts. Under the modified directive, the maximum period for which the stipulated ceiling rate of 11.5 per cent per annum should be charged is increased from 90 to 180 days in the case of pre-shipment credit.

Further, the banks are required not to charge more than two per cent over the ceiling rate of 11.5 per cent for a maximum period of 45 days beyond the initial period of 90 days on packing credit in general and of 90 days beyond the initial period of 180 days in the case of packing credit given as well as construction contracts, provided such an extension in the period of packing credit was given on account of delays attributable to reasons which are beyond the control of the exporter. In the case of post-shipment credit given on deferred payment terms for a period exceeding one year, banks are required to charge interest at a rate not exeeding eight per cent. In respect of all other post-shipment credits, interests at a rate not exeeding 11.5 per cent should continue to be charged up to a maximum period of 120 days in respect of export to western hemisphere and 90 days for others.

Banks will continue to be eligible for interest subsidy of 1½ per cent per annum under the export credit (interest subsidy) scheme, 1968, on all export credits on which interest not exeeding the ceiling rates, as prescribed above, is required to be charged. In cases where the pre-shipment credit or the post-shipment credits (other than those given on deferred payment terms for a period exeeding one year) are extended beyond the periods for which ceiling rates of interest at 11.5 per cent and 13.5 per cent are stipulated, banks are free to charge their normal rates of interest for the extended period.

While the maximum periods for which the ceiling rates of interest are to be charged on pre-shipment credits as stipulated above, banks should consider granting such advances for shorter periods, wherever appropriate, taking into account the requirements of each case and ensure that the concessional credit extended is utilised for export purposes.

Approved Items

The export items as approved by the Reserve Bank for the purpose of the concessional rate of interest on pre-shipment credit upto 180 days at 11.5 per cent and for a furtherperiod of 90 days at 13.5 per cent include: Sugar mill machinery (including khandsari machinery), textile mill machinery, jute mill machinery, oil mill machinery, shoe-making machinery, tea machinery, flour mill, rice and dal mill machinery, printing machinery, paper and pulp machinery, wood-working machinery, fertiliser plant and equipment, water and sewage treatment plants, cement plants, food processing plants, power generation equipment including turbines alternators, generators and boilers, power medium and distribution transformers, high-tension switch gear and control gear, complete high tension and extra-high tension and power transmission lines, power line carrier communication equipment, and complete equipment for electric sub-station.

More items

Other items approved by the Reserve Bank for concessional credit are: machine tools including metal cutting, metal pruning and tool room machine tools, industrial furnaces including electric furnaces, asbestos cement plant and machinery, chemical and pharmaceutical machinery. mining machinery, rubber machinery, complete dairy equipment, solvent extraction plants, industrial boilers, industrial switch boards and control panels, electric motors above 20 H P., telecommunication equipment including telephone and telegraph exchanges (excluding television and radio receivers), diesel engines above 20 H.P., power station structures, hydraulic structures like pen stocks, gates and gearings, sub-station and railway electrification and air-conditioning equipment, industrial fume extraction, dust collection, humidification and ventilation equipment, mechanical handling equipment including cranes, heavy duty pumps and compressors, railway wagons and coaches, ships, boats and launches, steamers and trawlers, crawler tractors, shovels, excavators, loaders, dumpers and other earth-moving equipment, pile foundation machinery, road and construction machinery including roadrollers, continuous batch plants, stone crushers, concrete mixers and vibrators, and construction contracts abroad.

IFC Loans

Loans totalling Rs 4.09 crores to 15 companies spread over nine states have been announced by the Industrial Finance Corporation recently. Ten of the beneficiaries are new companies and seven of them situated in notified less-developed districts. The assistance covers a wide range of industries from automatic looms and steel billets to sugar, bicycles, automobile tyres and tubes and industrial chemicals. Assistance to the new companies totalling Rs 2.85 crores includes a loan in German Marks of the equivalent of Rs 40 lakhs.

The corporation has also sanctioned underwriting facilities to the extent of Rs 43 lakhs. The new concerns includes one company in Tamil Nadu for manufacturing high-speed automatic weaving machines, one steel plant in Andhra Pradesh for mild steel and high carbon steel billets two sugar factories, one each in Maharashtra and Karnataka, one glass bottling manufacturing company in Rajasthan, two companies in Karnataka engaged in the manufacture of oxygene and acelytene and automobile tyres and tubes, and three concerns in Kerala. One of the Kerala units will manufacture manganese sulphate monohydrate and electrolytic manganese dioxide, while the second and third will produce automobile tyres and tubes and white hollow glass wares.

Indo-Soviet Trade

An 11-member Soviet trade delegation led by Mr I. T. Grishin, deputy minister of Foreign Trade, arrived in New Delhi recently. The delegation was here for intensive discussion with the Indian authorities for finalising a long-term trade and payments agreement between the two countries. The current long-term trade plan for 1971-75 will expire in December 1975 and a new long-term plan for the next quinquenium, 1976-80, has to be negotiated in the course of this year. It may be mentioned that the new plan will coincide with the next five years economic plan of Soviet Union. Discussions on this subject were initiated in October last year when a delegation led by Mr Bose Mullick visited Moscow. There was further progress in this direction when another dele-

gation led by Mr Y. T. Shah, Commerce secretary, held talks with the Soviet authorities in March this year.

India's trade with the USSR has increased significantly during the last five years. The total trade turnover between the two countries increased from Rs 300 crores in 1971 to Rs 618 crores in 1974. The trade protocol for 1975 envisages a turn-over of around Rs 750 crores.

India has requested the USSR to enlarge the traditional concept of product trade and give more emphasis on production collaboration between the two countries for increasing the trade turn-over. This was conveyed by Prof. D. P. Chattopadhyaya, union Commerce minister, to the visiting Soviet trade delegation led by Mr I.T. Grishin, deputy minister of Commerce, when the latter called on him. Mr D. P. Dhar, India's Ambassador in USSR and Mr Maltsev Soviet Ambassador in India, participated in the talks to finalise a long-term trade and payments agreement between the two countries.

The Indian delegation was led by Mr S. G. Bose Mullick, secretary, ministry of Commerce.

Big Order for BHEL

Bharat Heavy Electricals Limited (BHEL), a public sector undertaking, has secured a big order valued at Rupees seven crores from the Uttar Pradesh State Electricity Board (UPSEB) for a 400 kV transmission line between Obra and Muradnagar via Kanpur. The UPSEB has also entrusted BHEL with another contract valued at Rs 3.5 crores for 400 kV generator-transformers. The 400 kV system is the imperative need of the country to cater for the rapidly growing demand for power and the projected inter state power grids.

BHEL is actively associating itself with the country's bold determination to switch over from the existing 220 kV power transmission system to the 400 kV system. The equipment covered by this order from UPSEB for 400 kV sub-stations at Kanpur and Muradnagar includes 240 MVA, 400 kV auto-transformers, 50 MVAR 400 kV reactors, 400 kV current transformers and 400 kV capacitor voltage transformers. The prototypes of 400 kV capacitor voltage transformer and 400 kV current transformer, designed and manufactured by BHEL, have been successfully tested.

Development of Small Industries

Entrepreneurship is the kingpin of the development of small-scale industry. This was stated by Mr A. P. Sharma, minister of state for Industry and Civil Supplies, in his concluding speech at the end of the two-day A India Seminar on Entrepr neurship Development Pr grammes in the Small-Sca Sector held recently in N Delhi. Mr Sharma laid sp cial stress on motivation, trai ing and assistance as equal important stages for develo ing entrepreneurship. The was great scope for improv ment in the quality and cove

ge of both these essential inputs.

A systematic programme must be developed on a large scale for this purpose, he said. While observing that the example of successful entrepreneurs in itself was the biggest motivating factor, he said that they had to prove to the prospective entrepreneurs that they were not merely being led up the garden path. They had to be convinced that their efforts would lead to concrete results and that they would become owners of small enterprises. Mr Sharma called for a coordinated approach by various organisations for developing entrepreneurship and felt convinced that the small-scale movement had to be carried to the people.

Bank's Role

The seminar recommended that banks and financial institutions should be called upon to play as important a role in the development of entrepreneurship as that of the government and semi-government agencies and small industry development corporations. The seminar took note of the difficulties experienced by entrepreneurs who had to go from door to door for receiving various kinds of assistance. It was their considered view that arrangements for administering a coordinated and integrated assistance programme had to be made at the state and district levels. Committees of concerned departments and corporations should be formed to take a quick decision about the agency which would deliver the package of assistance at one place.

Cashew Exports

Exports of cashew kernels from this country have been consistently going up during the past few years. The value of exports during the first eleven months of 1974-75 are etimated to be Rs 110.45 crores as compared to the earnings of Rs 73.8 crores and Rs 68.8 crores during the entire periods of 1973-74 and 1972-73 respectively. The rise is not only due to higher unit value realisation, but also increased off-take in terms of quantum. The exports during April, '74—February '75 was 60,350 tonnes as compared to 51,900 tonnes during the full year of 1973-74. During 1973-74 about 38 per cent of Indian cashew was exported to the Soviet market while nearly 35.5 per cent was supplied to the USA. In terms of value these markets absorbed Indian cashew worth Rs 29.4 crores (19757 tonnes) and Rs 25.6 crores (18407 tonnes) respectively. The Japanese market absorbed 6.3 per cent, Canada 5.7 per cent, the UK 2.4 per cent and Australia over two per cent.

This country occupies a dominent place in the world exports of cashew. In 1972 the world exports of cashew kernels totalled 1,01,910 tonnes of which the share of India was 64,540 tonnes; Mozambique exported 27,180 tonnes in the same year year. The main cashew growing countries in the world are India, Mozambique, Tanzania, Kenya and Brazil.

Global Production

In 1973, the global production of cashew amounted to 381,000 tonnes) of which the Indian share was 61,000 tonnes. Mozambique produced 1,70,000 tonnes, Tanzania 107,000 tonnes, Brazil 25,000 tonnes, and Kenya 13,000 tonnes. This country has been depending mainly on imported raw nuts for its cashew kernel trade.

In 1973-74, Indian imports of raw nuts amounted to 1,57,554 tonnes of which 37,495 tonnes came from Mozambique and 18,000 tonnes each from Tanzania and Kenya.

The area under cashew cultivation has been increasing year after year. At the beginning of the first five year Plan period the area was 1,03,585 hectares with a production of about 59,000 tonnes. During the fourth Plan period there was extensive expansion of the area which increased to 36,40,40 hectares. The production by the end of the fourth five year Plan also increased to 1,40,000 tonnes. In the fifth five year Plan a multi-dimensional scheme for the promotion of domestic production is being adopted including measures for plant protection, laying of demonstration spots, establishment of progeny orchards and adoption of package programmes. It is expected that fresh planning to the extent of 1,00,000 hectares would be attempted during the fifth five year Plan period.

Rectifier Equipment from BHEL

The Bharat Heavy Electricals Limited (BHEL) have achieved a major breakthrough by replacing foreign technology by indigenous technology in the manufacture of rectifier equipment which is primarily required for rail traffic. At Vangani Traction Sub-station, 78 Kms. from Bombay, the very old imported mechanical rectifiers have been replaced by the first set of silicon rectifiers and associated equipment successfully built at the Bhopal factory of BHEL. Erection and commissioning work has also been completed by the Bhopal unit.

The BHEL manufactured rectifier equipment has already made available an additional 24,000 KW D.C. power for the haulage of freight and passenger traffic on Kalyan-Poona line and Kalyan-Igatpuri line of Central Railway. With the commissioning of Vangani Sub-station, another 3,000 KW D.C. power has been made available to the Central Railway.

Indigenous Oleum Plant

The Planning and Development Division of the Fertilizer Corporation of India has handed over recently, to the Defence authorities, a combined oleum and sulphuric acid plant. This is the first plant of its kind based entirely on indigenous know-how built in the country.

The corporation's P & D division while designing the plant had tried to maximise the indigenous components. One of the major equipment in such plants—the waste heat boiler-which is normally either imported or based on imported know-how, has been designed by the P&D Division and fabricated indigenously.

COMPANY AFFAIRS

Further Fall

IN RESTRICTED trading equities declined further in the stock market during the past week under persistent selling. The World Bank's disappointment over the poor rate of growth of the Indian economy and the continued rise in the prices of essential commodities depressed market sentiment. As a result equities fell all round touching new lows during the week. Given the existing structure of interest rates and the present state of the economy, it is futile to hope for a revival of the markets in the near future.

Meanwhile in a memorandum submitted to the union Finance minister, Mr C. Subramaniam, the president of stock exchanges have put forward a number of valuable suggestions for reviving the capital market. Important among the suggestions made in the memorandum are: (i) Liberalisation of bank advances against shares (ii) increase in tax exemption on income from dividend and interest (iii) guaranteed return on investments in equity shares in the initial years of operation (iv) alteration in the guidelines for issue of bonus shares to provide for more frequent issues (v) institutional support to the capital market and (vi) resumption of forward trading in shares.

The memorandum has further stressed that unless some real direct concessions and incentives are given to boost investment, the capital market will never be revived and will only endanger the industrial development of the economy. The memorandum also seeks a catgori al assurance that the temporary restrictions imposed on distribution of dividends will not be extended beyond July 6, 1976. This step, it is felt, will go a long way in boosting the morale of the investing public and restore confidence in the cult of equity.

Jagatjit

The performance of Jagatjit Industries Ltd during 1974 has been exceptionally good, especially when inflation has affected considerably many a consumer goods industry. The company's sales during 1974 at Rs 9.49 crores outstripped the previous year's performance by as much as Rs 2.41 crores or 34 per cent. Sales during the five-year period, 1970-74 recorded an impressive rise of Rs 4.95 crores or a growth of 109 per cent. Its pre-tax profit too went up appreciably to Rs 115.05 lakhs from Rs 108.79 lakhs in 1973, whereas the pre tax profit during the five-year period, 1970-74, registered a phenomenal growth of Rs 69.49 lakhs or an increase of 152.50 per cent.

New Issue

The directors have maintained the equity dividend at 12 per cent for 1974. The directors have proposed to issue 757,257 bonus equity shares of Rs 10 each by capitalising Rs 75.73 lakhs out of the general reserve. The bonus shares will be issued in the proportion of one bonus equity share for every equity share held. With this the share capital of the company will increase from Rs 75.73 lakhs to Rs 151.45 lakhs. Along with this, the company is also seeking to raise the authorised capital from Rs 1.2 crores to Rs 2.50 crores and the borrowing powers of the directors from Rupees three crores to Rupees five crores.

After adding to the pre-tax profit, Rs 1.93 lakhs for refund of tax paid in earlier years, Rs 7.26 lakhs being excess provision of tax for earlier years and Rs 4.62 lakhs for gratuity provision for earlier years writen tax, the surplus available for appropriations amounts to Rs 128.86 lakhs. Out of this, the directors have allocated Rs 6.25 lakhs to development rebate reserve and Rs 122.61 lakhs to general reserve. No provisions has been made for taxation for 1974 which is estimated at Rs 61.75 lakhs. The tax when assessed will be paid out of general reserve.

Jay Shree

The working results of Jay Shree Tea and Industries during the year ended March 31, 1975 show impressive improvements over its previous year's encouraging performance, production, sales, profits and margins all being significantly higher than in 1973-74. The shareholders have also been rewarded with a higher equity dividend of 16 per cent as against 12 per cent in the preceding year. Its gross sales at Rs 21.10 crores exceeded its previous year's performance by as much as Rs 7.18 crores or by about 52 per cent while gross profit jumped by 114 per cent to the record level of Rs 5.11 crores from Rs 2.39 crores in 1973-74. The appreciable improvement in the company's sales and profits was largely due to smart increase in production of its various divisions. An all time record was set up by the company during the year by producing 50,154 tonnes of superphosphate and 18,774 tonnes of sulphuric acid.

The company's tea estates also turned out to be more profitable on account of the sharp increase in unit price realisation. The company was able to realise record prices for its teas in Calcutta and Cochin auctions. Its plywood factory also fared extremely well in spite of recession in demand.

Hindustan Lever

Hindustan Lever is going ahead with the implementation of a synthetic detergent plant in Jammu & Kashmir for which an industrial licence has been obtained. The letter of intent for setting up a plant for the manufacture of Ossein in Maharashtra has been received. This is an export-oriented industry and arrangements for implementing the project are progressing satisfactorily. The preliminary work and negotiations for the supply of know-how for the intended industrial phospates project are in progress. Facilities for the manufacture of fine chemicals at Andheri unit in greater Bombay are being extended to produce new chemicals for which the know-how has been developed in the company's research centre. It is expected to result in an additional saving of foreign exchange.

Increased Exports

The company increased its exports substantially in 1974 both in terms of sales and the number of countries covered. During the year its exports more than doubled to Rs 13.72 crores covering 52 countries as against Rs 6.70 crores in 1973. For the sake of operational convenience, all activities of Indexport Ltd a a wholly owned export subsidiary, were taken over by the company on July 16, 1974.

Another significant achievement of the company during the year has been the development of triglyceride for export based on an indigenous unconventional oil for which the company has already installed the necessary processing facitities. Although the value of exports of this product is only 50 lakhs in 1974, it is expected to increase to over Rupees three crores in 1975. The work on unconventional oils carried out in the company's R & D during the last several years has now proved to be of great value thereby enabling the

pany to produce all soaps, uding toilet soaps without use of imported tallow. company suspended negoions for the sale of its Etah y because of an appeal n employees who wanted ther attempt to be made the coming season to make unit viable.

ahindra Ugine

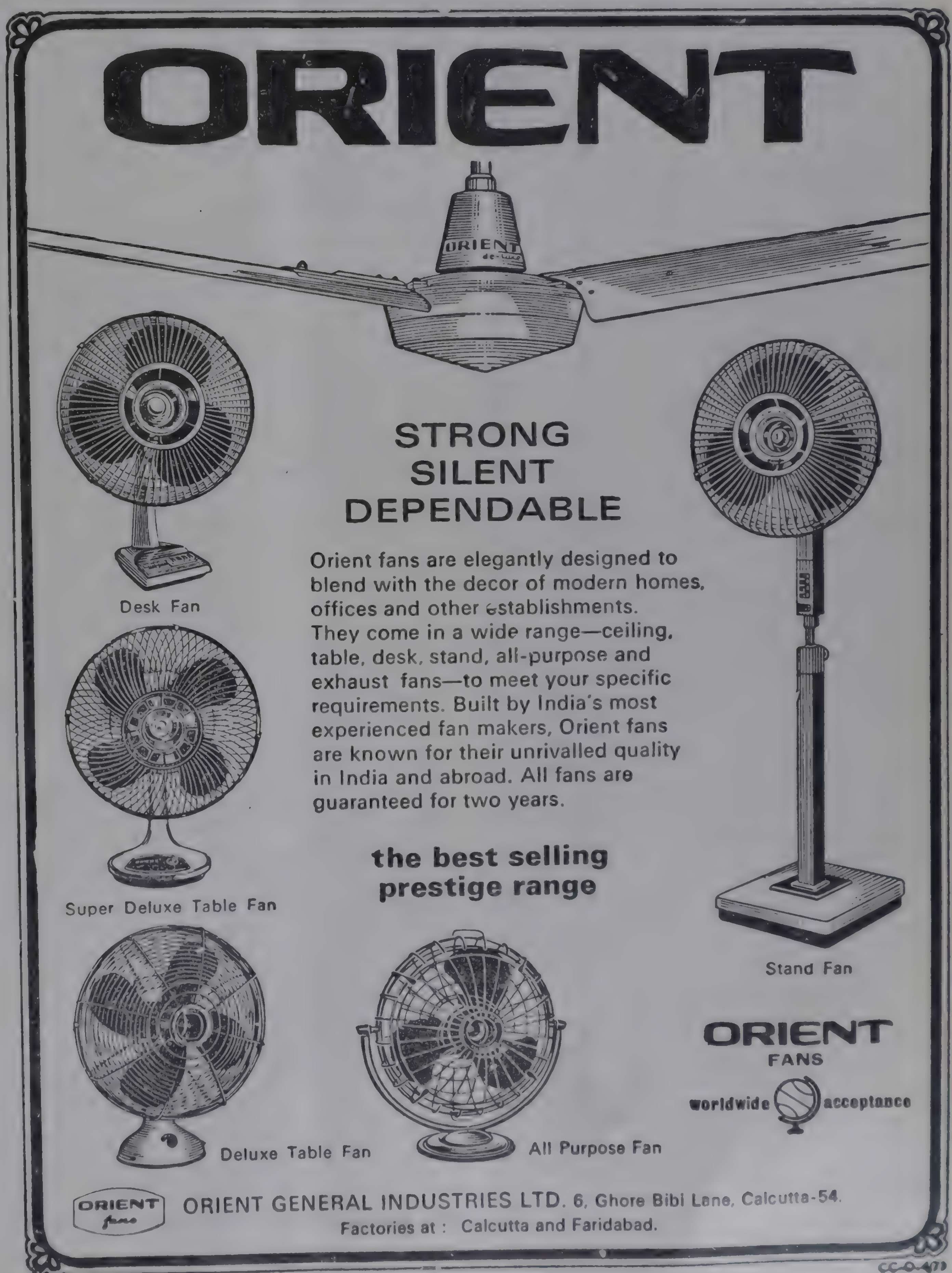
The directors of Mahindra ine Steel Company Limited ve proposed an equity divind of 14 per cent for 1974. t of the proposed dividend 13 per cent will be paid to shareholders immediately d the balance of 2.87 per it will be paid in two equal nual instalments with ght per cent interest. ie implementation of ie scheme of amalgamation the company with e Bank of Baroda Ltd has ached in an advanced stage th the sanctioning of the heme by the Gujarat High ourt.

With a sharp rise in turnver from Rs 10.09 crores to s 14.78 crores the gross profit mped to Rs 3.83 crores from s 2.20 crores in 1973. Out the gross profit the directors ave appropriated a sum of s 60.96 lakhs to depreciation eserve, Rs 8.85 lakhs to deveopment rebate reserve and s 192 lakhs for taxation as gainst Rs 66.71 lakhs, Rs 2.55 ikhs and Rs 88 lakhs provided espectively in the previous ear. The net profit after hese allocations was still igher at Rs 1.21 crores as ompared to Rs 62.85 lakhs in 973. The output of finished lloy steel in the plant regisered a modest increase of six er cent over the previous year. The output of ingots in the nelting shop declined marginally due to intermittent power uts in the state of Maharashra. Delays in arrivals of mported ferro alloys which are canalised items also inhibited production of alloy steel o certain extent.

The company is going ahead with its expansion scheme for raising the capacity of the plant for 24,000 tonnes, to 60,000 tonnes for which the industrial licence has been issued by the government. It has also received an import licence for the import of plant and machinery for a total cif value of Rs 9.96 crores. The expansion scheme is expected to be implemented by 1977. The company continued to maintain its progress, the turnover during the first four months of the current year being higher at Rs 447 lakhs as compared to Rs 432 lakhs during the same period of last year.

Sandoz

Although Sandoz (India) Ltd recorded an increase of 26.3 per cent in gross sales to Rs 19.66 crores from Rs 15.56 crores in 1973 net profit was only marginally higher at Rs 5.46 crores as compared to Rs 5.33 crores in the earlier year. The directors have however kept the equity dividend unchanged at 12 per cent. The decline in profitability is attributed to price control on pharmaceutical products and all-round escalation in costs. The raw material prices have reported to have gone up by about 53 per cent over 1973. A major portion of the increase of 25 per cent in turn-



over is accounted for by the Agrochemical division.

It is significant to note that the company has repeated once again in 1974 the record export performance of 1973. Its exports during 1974 almost touched the figure of rupees two crores. Exports indeed would have been much higher if there had been no delay in the grant of import licence for some of the raw materials and intermediates. For 1975 the company has orders in hand for over Rs 1.8 crores. With the possibility of getting additional orders the company hopes to equal at least the 1974 performance.

The turnover of the company during the first four months of 1975 are higher by 25 per cent as compared to the corresponding period of 1974. The company hopes to achieve a reasonable growth rate in 1975 as well provided the power supply position does not worsen further and the company is not starved of its genuine working capital requirements. At the same time the company is continuing its efforts to update its processes and organisational methods to mitigate the erosion in the rate of profitability caused by inflationary measures which is expected to continue during the current year as well. The bonus issue approved at the previous annual general meeting could not be completed as the government called for certain clarifications which have been submitted to the government. The directors are confident that the matters will be resolved shortly and the issue made before long.

Enfield India

The turnover of Enfield India Limited during the year ended December 31, 1974 constituted a new record at Rs 11.80 crores against Rs 9.66 crores in 1973 with the higher output of motorcycles at both the Tiruvottiyur and Anaikaraipatti factories. The newly created facilities in the latter centre are beginning to yield satisfying results, the output of vehicles raising to 3410 units from 731 units in 1973. The share of Tiruvottiyur factory also was higher at 13077 units against 12589 units. There was however a marginal decline in the output of Agro. Industrial Engines to 44677 units from 44776 units. But for the strenouus efforts to increase export sales, the turn of this division would have been seriously affected. The off take of engines in the internal market slackened due to shortage of kerosene. The position in this regard is expected to improve in the current year. Sales of mo[...] cycles are of course limi[...] only by the ability of [...] company to rise production

The achievement of [...] record turnover has not b[...] reflected in an increase [...] earnings. In fact, there [...]

even a marginal decline e net profit before depreon to Rs 55.69 lakhs from 0.35 lakhs, in the previous because of the delay in ting even marginal adjustts in selling prices and an dinate increase in the cost aw-materials and compos.

The adverse effects of costn inflation are being overe with a rationalisation of duction techniques and er use of existing facis. The dividend on ity capital has neverthe- been maintained at the vious level with the ectors recommending the laration of a distribution 12 per cent taxable on eqy capital. The immediate ment will of course to be tricted to seven per cent. e balance of five per cent l be paid in two equal nual instalments in 1976 d 1977 with an interest of ht per cent.

The amount set aside for preciation is higher at 29.63 lakhs while transfer development rebate Rerve is lower at Rs 4.50 khs. After providing for yment of bonus to emploes to the extent of Rs 9.08 khs. General reserve gets Rs .86 lakhs. With the Anaikaipatti factory getting into its rides, and with large export rder for agro-industrial ennes, the turnover in 1975 confidently expected to e substantially higher with rnings also registering an nprovement proportionately.

News and Notes

The Todi Group of Indusries has taken over the nanagement of **Hathising Manufacturing Company Limied** which had been closed ince 1965. The Gujarat government tried to run this extile unit but without any uccess. The mill which was on the verge of liquidation s back again under private nanagement. The new nanagement proposes to renovate some of the existing machinery and instal new ones, wherever necessary with a view to expediting commercial production.

Whitco, which made a public issue of 24.75 lakhs last year has started trial runs of domestic synthetic detergent's in cake and power form at its plants located in a backward area of Kallol near Baroda. The plant has an installed capacity of 10,000 tonnes per annum. The fully automatic plant has been supplied by an Italian company.

Returning to the state of his birth, almost after a quarter of a century, Mr KL Mehta, ICS (Retired) the new Chairman of **Rajasthan State Industrial and Mineral Development Corporation Limited,** assumed charge on May 20, 1975. His last assignment before retirement was Ambassador to Afghanistan.

New Issues

Gujarat Alkalies and Chemicals Ltd,promoted by Gujarat State Fertilisers Corporation, is putting up a gigantic project at Baroda for manufacturing caustic soda, liquid chlorine and hydrochloric acid. The company has obtained an industrial licence to manufacture over 37,000 tonnes of caustic soda, 33,000 tonnes of liquid chlorine and 15,000 tonnes of hydrochloric acid per annum. The directors are confident that the entire production will be consumed in Gujarat itself. The project is ideally located in that, it will have no difficulties whatsoever in getting raw materials and power. The cost of the project is estimated at Rs 11.40 crores and it will be financed by the equity capital of Rs 4.25 crores and the balance through loans and debentures. The company proposes to issue 24,50,000 equity shares of Rs 10 each to the public for subscription. The subscription list for the fully underwritten issue opens on June 19.

The project, which is being set up in collaboration with Friendrich Uhde of West Germany is expected to go into commercial production by the middle of next year. During 1976-77 the company hopes to earn a gross profit of Rs 2.50 crores and a net profit of Rs 1.25 crores. The management is confident of declaring a reasonable dividend from the second year of production.

Diamond Dies Manufacturing Corporation Ltd Bangalore, is entering the capital market on June 25 with a public issue of 78,400 equity shares of Rs 10 each at par. The company proposes to manufacture 5,000 diamond dies per annum at its plant being set up near Mysore city. The country's demand is far ahead of the supply at present. Diamond dies has also good export market in Australia, the USA and Europe. The company is being promoted by the Mehta Group of Bangalore (Deepak Insulated Cable Corporation Ltd). The collaborators are Messrs. Kurukawa Electric Company and Asahi Diamond Industrial Company of Japan. The capital outlay on the project is estimated at Rs 42.5 lakhs. It will be financed by the share capital of Rs 16 lakhs, the government subsidies of Rs 4 lakhs, and loans from ICICI and banks of Rs 22.5 lakhs. The plant is expected to go on stream by the end of 1975.

The Indian Dairy Entrepreneurs Agricultural Company is setting up a modern sophisticated agro-industrial complex comprising a milk dairy plant, a dairy farm and a cattle field mill at Jalore district of Rajasthan, involving a capital outlay of Rs 2.47 crores. The company has been licensed to manufacture annually 2,500 tonnes of infant milk food, 1500 tonnes of whole milk powder, 3000 tonnes of condensed milk and 300 tonnes of processed cheese. It will also manufacture about 1200 tonnes of butter and ghee per annum. The milk plant is expected to go on stream by October 1975. At a later stage the company plans to produce cattleseed for sale to milk producers supplying milk to its plant. It will also render other services as crossbreeding and artificial insemination.

The capital out lay on the project of Rs 247.27 lakhs will be financed by the equity capital of Rs 70 lakhs, preference share capital of Rs 20 lakhs, terms loans and debentures of Rs 148.27 lakhs and internal cash accruals of rupees nine lakhs. The present issued capital is Rs 11.86 lakhs. It is proposed to issue additional capital comprising Rs 59 lakhs in equity shares and Rs 19.14 lakhs in preference shares. Out of this, equity shares worth Rs 6 lakhs have been reserved for allotment to EID Parry and Rs 7 lakhs to Grindlays Bank for cash at par. The public issue of Rs 65,14 lakhs comprising 460000 equity shares of Rs 10 each at par and 19.140 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par will be made sometime in July. The management is confident of declaring a maiden equity dividend of at least 10 per cent for 1976.

Dividends

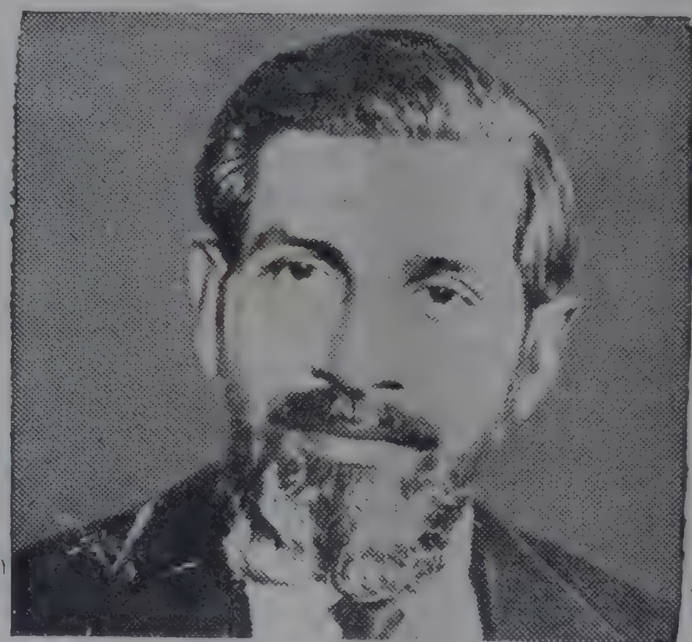
(Per cent)

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Travancore Rubber and Tea Company	December 31, 1974	10.0	Nil
Shree Digvijaya Cement	December 31, 1974	10.0	2.0
Peermade Tea Company	December 31, 1974	10.0	Nil
Same Dividend			
Sundaram Finance	December 31, 1974	16.0	16.0
Tropical Plantations	December 31, 1974	Nil	Nil
Challappalli Sugars	June 30, 1974	10.0	10.0
Reduced Dividend			
Sivanandha Mills	December 31, 1974	12.0	25.0
Hyderabad Asbestos	December 31, 1974	12.0	15.0
Matchwel Electricals	September 30, 1974	6.0	9.0

Chairman's Speech

Coromandel Fertiliser's Chairman's Speech

The economic situation does not permit complacency... The need for taking bold steps to revive the economy has to be recognised fully... Agriculture must command priority, have continued growth and consistent improvement in productivity



Dr. Bharat Ram
Chairman, Coromandel Fertilisers Ltd.

Addressing the shareholders at the 13th Annual General Meeting of Coromandel Fertilisers Limited held on 16th May 1975, the Chairman, Dr. Bharat Ram said that it was heartening to note that the primacy of agriculture—of which fertilisers were the most important input—in the process of economic development has been recognised. At the same time, the importance of the industrial sector has to be acknowledged and a balanced emphasis of both agriculture and industry would help improve the quality of life. While expressing his gratitude to the Government for its various forms of assistance, Dr. Bharat Ram also voiced his concern over the continuing shortage of rail wagons required to move fertilisers.

Referring to the Company's current expansion program, Dr. Bharat Ram was optimistic that the increased production as a result of the expansion will be available in the first quarter of 1976.

Ladies and Gentlemen:

May I welcome you to this Thirteenth Annual General Meeting of the Company. The Directors' report chronicling the events of the year under review is already with you and you will agree the results are highly satisfactory. It is heartening to note that the primacy of agriculture in the process of economic development has been recognised; it is comforting to know that Government will continue to encourage this vital sector with unremitting zeal; for agriculture, more than any other sector, must command priority, have continued growth and consistent improvement in productivity. All inputs, and fertiliser is of prime importance, require attention and I would plead for an increased tempo of investment in this field.

But having said this, we cannot be complacent or insensitive to the claims of the industrial sector to adequate consideration. All said and done, industry is employment oriented and provides the opportunities to deal with the vast numbers, both in our rural areas and among our educated youth to find employment. And I do believe that a balanced emphasis will help in improving the quality of life.

The past year has indeed been one of great difficulties. Inflationary pressures continue; while one may compliment the Government on the package of measures taken by them since July 1974 to contain the increase of prices, the economic situation does not permit of complacency. It must be appreciated that the fall in prices was more due to a management of demand, its curtailment rather than any increase in the availability of goods. In fact, the economic situation has in recent months completely changed and the economy is now moving into a different direction altogether; we now find ourselves in a situation of recession which is affecting not only the economy due to lack of investment, but many of the existing industries are in a precarious conditi More important of our gineering industries parti larly automobile, jute, texti are already in a difficult sit tion and gradually many ot industries will also face ac problems.

The fact of the matter is th the purchasing power of people has been eroded to su an extent that the common m finds it difficult to make t ends meet, leave aside capacity for saving for inve ment. If these are not sym toms of recession, call it any name, by what dire sym toms can we recognise its pr sence? In my opinion the co sequences of a regression a far more damaging to the ec nomy and the community general, than a moderate i crease in prices. In the rece past, several suggestions ha been made about steps to b taken to stimulate investmen some steps have also been ta ken, and one may hope th the Government is aware the critical situation we are i The need for taking bold ste to revive the economy has t be recognised fully.

I am afraid, if positive mea sures are not initiated to re vitalise the economy, we wil see more and more units be coming 'sick', unemploymen will increase, thus involving u in a vicious circle. I woul earnestly suggest that our mos urgent task is to revive de mand and towards this en excise duties on essential com modities should be reduce drastically so that people ar enabled to buy more. I con cede that there is a risk of defi cit financing; but in my opinion, taking into account th circumstances prevailing i our country, it is a lesser evi than stagnation and all that i implies including growing unemployment, misery and degradation to all segments of the society particularly to the weaker sections.

Your Company has received great consideration from varirious departments of Government in its requests for assistance. The Ministries of Petroleum & Chemicals, Agriculture and Finance have treated our requests with the consideration they deserve, and at all

s shown a sense of urgency expedition for which we indeed grateful. The Diorate General of Technical elopment have shown realand flexibility in stressing favouring indigenous sour- of supply, without too ile and rigid an adherence this principle, when it ld have delayed or hurt duction. This is indeed a come sign. Unfortunately, have been disappointed at inability of the Railways to ve our finished materials time or adequately. For ious reasons, the supply of gons has been very unsatistory. We have to incur ch higher costs due to the of lorry movement in place rail movement. In the year 74 compared to the previous ır the movement by lorries reased from 23% to 38% ling for larger payment to et the lorry bills. We hope Ministry of Railways will amine and ensure the supply more wagons to move the ished product.

While we are grateful to Gornment for much assistance have received, I wish to ate frankly our concern for hat I may call the tyranny of les, proformae and returns. ey tend to proliferate and ffer from the infection of flation. While we recognise at once Government imposes ntrols, they require to be d with information, a very sproportionate amount of me could be and is spent in lling up forms and proforae, to comply with what pears to me as cumbersome gulations. In most cases, ere is much ambiguity and ey draw heavily on the reurces of the Company to ovide the manpower to colct data and supply informaon. We do not question the *ison d'etre* of the measuers overnment have chosen to pose on economic life. While ur sense of corporate resonsibility enjoins us to be resonsive, I would plead with e departments concerned ith the administration of these les that a practical view be ken in thes areas and due ecognition given to the probms of those who are affected; pses, if and when they occur, hould be viewed with understanding without them being considered wilful.

Your Company's working results have been satisfactory although production suffered due to an extended shut-down consequent to necessary revamp and unforeseen mechanical problems. The reformer tubing has been completed and I am gratified to report to you that the manufacturer of the heat exchanger has assured us that the heat exchanger will be on site, hopefully by September/October this year. If there is no further slippage in supplies, both indigenous and overseas, you can look forward to increased production in the first, quarter of 1976.

The marketing outlook for your Company continues to be good and the increased production consequent to the expansion now in progress, it is hoped will also be sold in the Company's economic marketing area. However, the increase in the cost of agricultural inputs including fertilisers necessitated by the escalation in raw material and other costs is a real source of concern because of its possible adverse impact on consumption. There are signs of slackness in lifting and moving fertilisers. Stocks have piled up and serious consideration, I am told, is being given now to liquidate the stocks and see that the fertiliser moves to the farms.

In my last statement, you will recall I had mentioned with relief that the Andhra Pradesh State Electricity Board and the State Government had exempted the fertiliser industry from the operation of a power-cut. Recently, however, a cut has been imposed and this will have repercussions on our production. Efforts are being made to persuade the State Government to show the realism and the practical considerations which they did last year and to exempt fertiliser from suffering the cut.

Early this year, we had the good fortune of having a very renowned and widely respected administrator-economist to deliver the Coromandel Lecture. Dr. A.H. Boerma, Director-General, F.A.O. gave a stimulating lecture on the World Food Problem and the need of political will to deal with it. As is the practice with your Company, the Borlaug Award was presented this year to Dr. S.V.S. Shastry, a distinguished rice scientist who played a critical role in evolving the variety 'Jaya' which has already been acclaimed and is very popular.

Members may be pleased to know that the Reserve Bank of India's formal permission under the new Foreign Exchange Regulation Act to carry on our manufacturing and other activities, has since been received.

There have been no changes in the Board since I addressed you last year except that Mr. N. Bhagwandas, Chief Secretary to the Government of Andhra Pradesh, who joined the Board in May 1974, resigned in February this year. Your Board of Directors were benefited in their deliberations during his brief but valuable association, and express their gratitude to him. As always, I wish to sincerely thank the State Government and Central Government for their continued support in keeping our Plant operations unimpaired and at a satisfactory level. We are also obliged to the promoter companies in U.S.A. for their cooperation and encouragement. May I also thank on behalf of the Management, all the employees at the Plant and at other centres for their devoted and loyal cooperation.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

coromandel
gromor

HICHEM Guar Meal a high protein cattle feed if given to our milch animals can make our country self-sufficient in milk

Malnutrition in its various forms is one of our country's pressing problems. Protein deficiency is proverbial and wide-spread. This is because the per capita availability of milk is only about 150 ml per day as against the basic minimum requirement of about 560 ml. If all the Guar of approximately 2 lac tons per year produced in the country is processed to separate its constituents into Gum and high protein Guar meal, the former can earn considerable foreign exchange and the latter could solve the protein deficiency. Guar meal has approximately 92% digestive nutrients and 45% proteins. It has higher food value than Guar itself and can be fed as such or mixed with grass, hay or husk, churi, bran or oil-cake. It not only increases the milk yield but also makes the animals healthy and stronger.

Hindustan Gum & Chemicals Ltd., Bhiwani, are producing Guar meal as a nutritious cattle feed.

HICHEM

REGD. TRADE MARK

Please send your orders or enquiries for Guar meal to:

Hindustan Gum & Chemicals Ltd.,

Birla Colony, Bhiwani (Haryana)
Phone: 61 • Gram: 'HICHEM'

RECORDS AND STATISTICS

e industrial tuation in 74-75

ER A year of relative stag-on in industrial production 73-74, there has been some ceable improvement in pro-ion performance in the first months of 1974-75, accor- to the report of ministry ndustry and Civil Supplies 1974-75. The general In- of Industrial Production se: 1960—100) is available upto July, 1974; the index ws a growth rate of 2.3 cent in industrial production ng the period January — , 1974, and a growth rate of per cent in April-July over corresponding period of year. More recent rates however, available for a e number of industries, ac-nting for a total weight of 60 cent in the index of industrial duction. On the basis of a istical analysis of these data, s estimated that the rate of wth in the industrial produc- in the first nine months of 4-75 is likely to be of the er of 2.5 to 3 per cent as npared to 0.6 per cent last r.

artening Factor

t is particularly heartening t output in critical sectors, ich have an important bear- on the industrial perfor-nce in the economy as a ole, has shown considerable provement this year. Thus, ing the period April-Decem- , 1974 production of saleable el, coal (including coking coal) and power in the economy was 10.4 per cent, 8.5 per cent, and 6.0 per cent higher than the corresponding period of last year. Similarly, public sector undertakings have continued to perform well, and many of the undertakings have registered rates of growth of over 20 per cent during the period April-December, 1974. The overall weighted average growth in public sector output during April-December 1974, as compared to the corresponding period of last year works out to about 12.7 per cent. The growth rate in the output of heavy engineering sector is noteworthy, and production of heavy industrial units controlled by the Department of Heavy Industry showed an increase of 41 per cent in value during April-December, 1974 over last year.

Heavy Industry

Gains in production registered by the heavy industrial sector need be particularly mentioned because this goes to debunk not one but two long prevailing myths about the Indian industrial structure, namely, that heavy industrial sector in India cannot work efficiently, and that the public enterprises in India are and must remain inefficient.

While all this is heartening, it must also be stated that the overall rate of growth of production still remains much below what the country is capable of achieving, and an important task of government policy in the coming year must be to create an industrial environment which would permit industry to realise its full potential. The overall rate of growth in industrial production in the last five years (1970-1974) is likely to be no higher than 3.2 per cent which compares unfavourably with the rate of growth that was achieved in the first half of the sixties as well as the rate of growth that was planned for. The production performance in certain important sectors, in 1974 was sluggish, in this category all industries which provide important industrial input, such as cement, aluminium and copper, as well as certain important consumer industries, such as textiles and vanaspati. Production in the textile industry, in the last two years, which has a large weight in the industrial index and, therefore, exercises an important influence on the overall rate of growth has been sluggish.

Major Constraints

There are a number of factors which go to explain why the average rate of growth of industrial production in the recent period has been low. Among the factors that are commonly mentioned are shortages in the availability of indigenous raw materials, particularly for agro-based industries, the power crisis which has affected normal operations in various parts of the country, shortage in the supply of imported raw materials because of the foreign exchange situation and the energy crisis which has meant a reduction in the availability of furnace oil below what would have been ideally desired. In addition, the country has experienced a high rate of inflation in the last two years.

It is difficult to be categorical about effect of inflation on industrial output in a situation where excess capacity exists. However, it is likely that in a highly protected economy with sheltered markets, inflation is likely to exercise a negative rather than a positive effect on production. This is because a high rate of inflation ensures expanding profits to existing firms without calling for an increase in the quantity of output. While the incentive for increasing output by existing firms is reduced, at the same time, inflation makes it more difficult for new investments to be made. Investment costs tend to increase at even a faster rate than the average price level, with the result that firms wishing to undertake new investments inevitably find themselves short of resources. There can be no doubt therefore, that containment of inflation must remain the first priority before the country for reasons of growth as well as equity.

Combating Inflation

In a determined effort to combat inflation, the government took several anti-inflationary measures this year, among which a prominent role had to be assigned to control of money supply. It is likely that period of credit squeeze, after an easy monetary policy, combined with a high rate of inflation will create problems of adjustment for industry by adversely affecting their liquidity positions. If a tight monetary policy succeeds in brinting prices down which is after all is the objective, it also bound to create further difficulties for firms with high inventory levels, since their output prices are no longer likely to match the prices at which inventories were purchased earlier. These difficulties are further increased if there is resistance on the part of firms to lower prices, which in turn, leads to a slackness in demand for their products. A tight monetary policy, therefore, while an essential part of the anti-inflationary package, may have had some effect on production in the short run, especially in view of the fact that our information system is not such as to permit a fine tuning of credit supply with changing requirements of different units in different industries over time.

While it is easy to enumerate the reasons for relative stagnation in industrial growth in the last few years and blame it on forces beyond the country's control, there can be no doubt that there are also certain factors responsible for this outcome which are entirely within the country's control.

Thus in critical areas such as steel, coal, power and fertilisers, the ability to increase output is constrained only by our abilty to utilise the existing capacity to a fuller extent. It is also regretable that capacity utilisation in many industries is low despite the fact that there is an excess demand for the products of these industries. It may be contended that this is due to shortage of inputs, but in at least some industries, this is likely to be due to lack of a determined effort to increase production by re-aligning costs and prices. If the country has to re-enter the phase of a high growth rate in industrial production, an attempt must be made to utilise our existing capacity more fully than has been the case in the past.

Industrial Environment

It is the government's intention to create an industrial environment where this objective can be realised. Some actions have already been taken to streamline procedures, to provide flexibility where it is needed, and to regulate production and/or consumption in areas where it is necessary to do so in order to maximise the social gains from productive activity. Thus, the Secretariat for Industrial Approvals (SIA) which was created last year in order to speed up industrial licensing achieved noticeable success. The total number of substantive disposals during the year 1974 was 5819, which is a record figure for a single year. The number of old cases disposed of by SIA was 2308, which is over 85 per cent of the old cases taken over by SIA, Interett of time limits, SIA becn able to utillse 72 per cent of the disposals of licensing application within 120 days. 97 per cent of the composite applications within 150 days and 81 per cent of the MRTP applications within 180 days. In respect of Capital Goods clearances also, there has been a significant improvement in the rate of disposal as well as the time taken. Thus, during the period under review, there were 887 cases of capital goods disposals, 62.1 per cent of which were disposed of within 90 days and 84.5 per cent were disposed of within 120 days.

Clearances of cases by themselves have very little meaning, unless an attempt is also made to see that applications thus cleared are actually implemented. The government is reviewing the machinery for monitoring the progress of industrial approvals and it is intended to provide active assistance to entrepreneurs for implementation of capacities in desired areas. An essential element in this effort must, however, be to discourage frivolous applications and prevent pre-emption of capacity by strictly observing the validity period of licences given. In certain high priority areas, where licensing restrictions are coming in the way of fuller utilisation of capacity according to the pattern of country's requirements, flexibility has also been provided in determining the product-mix within the overall licensed capacity. Thus, manufacturers of machine tools and machinery industries and electric furnace units have been given the freedom to diversify their production on the basis of a special approval procedure.

Regulating Production

While flexibility has been provided where it is needed, it has also been the endeavour of government to regulate production and/or consumption of products which are in short supply, and whose use has to be regulated according to overall social and economic priorities. Thus, in respect of cement, a Cement Control Order was issued in August, with the object of preventing the use of cement for non-priority purposes. This restriction has released a substantial amount of cement for priority uses as well as for export purposes. Similarly, in paper, a Production Control Order was issued in order to ensure the supply of white paper for text books for school and other high priority usage. In sum, it has been the endeavour of government to use policy instruments for purposes of promoting production by giving as much flexibility to the entrepreneurs as is desirable and consistent with the equally important objective that growth in industrial production should not be dissipated in low priority uses.

Fair Distribution

While the rate of growth of industrial production must be increased, industrial growth cannot be an end in itself. Fruits of growth have to be distributed fairly and equitably. To this end the development of small scale industries, diffusion of entrepreneurship and development of backward areas must have a high priority in the nation's industrial strategy. In order to provide the data base for taking approximate measures for purposive development of the small scale sector, a national census of small scale industries was launched in 1973, and is near completion. In order to enable existing small industries to modernise their production processes and also facilitate the growth of new viable units, a proposal to raise the ceiling for the small scale sector from Rs 7.5 lakhs to Rs 10 lakhs, and of ancillaries from Rs 10 lakhs to Rs 15 lakhs is under active consideration of the government. With regard to backward areas, a number of steps have already been announced to provide incentives for location of industries in these areas. The budget provision for subsidy for backward areas in 1974-75 has been raised from Rs 1.5 crores to Rs 5 crores. It may also be mentioned that the number of Letters of Intent and Industrial Licences granted for backward areas have also recorded a significant increase. During the period January-October, 1974, 269 Letters of Intent and 237 Industrial Licences were issued for location of industries in the backward areas. Corresponding figures for 1973 were 127 and 103, and for 1972 were 108 and 83.

In a poor country such as India, where income distribution is highly skewed, it is also of great importance that vulnerable and poorer sec of the society are able to their requirements of esse commodities including and clothing at reason cost. In a situation where goods also happen to b short supply in the countr is not unlikely that price these essential commod would be pushed beyond reach of the common m unless the government in vened to create an effec public distribution system. would be the endeavour of newly created Civil Supp Department in this minis to ensure that essential co modities are available to people at fair prices, and the required quantities. do this effectively is by means an easy task, but it i challenge which must be m if the country has to conta inflation and realise its soc objectives. To this end, co sultations have already be initiated with the state g vernments for evolving a via public distribution system selected essential commoditi

Doubtful Prospects

It is customary to say word about the prospects the coming year in this intr ductory chapter. Because many uncertainties prevaili both at home and abroad, th is an exercise which is like to be of doubtful validity, f example, industrial prospec in the country depend, amo other things, on adequa availability of agricultural ra materials about which it impossible to hazard a guess this time. The most that or can say is that on present re koning, a prospects for th coming year certainly loo more favourable than last yea because of the improved situa tion in respect of supply c basic industrial inputs lik coal, steel and power. How ever, whether this hope ca be translated into a realit would depend as much on im proved supply of inputs as o the determination of industr to make the requisite effort t utilise the full industrial poten tial existing in the countr by optimising the use of scarc

ces particularly energy ces. On its part, it is m intention of the go-ent to provide the neces-sary infrastructural and other assistance to enable the industry to do so. It is also the intention of the government to gear industrial policies to the objective of maximising the rate of growth in a manner which would strengthen our long-term industrial capability as well as contribute to the realisation of other social objectives.

Production of Industries in 1973 and 1974

ame of industry	Accounting unit	1973 No. of units	1973 Installed capacity	1973 Annual production	1974 No. of units	1974 Installed capacity	1974 Estimated (Annual production)	Remarks
2	3	4	5	6	7	8	9	10
				Light Mechanical Industries				
ist watches	Nos	2	11,70,000	6,03,621		11,70,000	6,50,000	
rm Time pieces	,,	7	14,00,000	8,43,754	6	11,00,000	9,30,000	
cks	,,	4	2,06,000	1,29,713	4	2,06,000	1,50,000	
rricane Lanterns	M. Nos	5	3.17	2.67	6	3.97	3.50	
nd Sewing Needles	,,	2	1,060	3,44,369	2	1,060	350	
				Cosmetics				
oth Paste	Tonnes	8	4,051	7,349	9	4,258	7,150	
oth Powder	,,	5	1,059	781	5	1,059	1,260	
lcum Powder	,,	16	6,428	6,265	16	6,428	7,260	
ce Powder	,,	12		94	12		87	
ce Cream/Snow	,,	14	1,133	1,361	14	1,133	825	
				Timber Products				
ywood								
Teachest	M sq mtrs	32	43,012	3,361	33	43,344	3,500	
Commercial	,,			28,132			30,000	
				31,493			33,500	
bre Board								
Hard Board	MT	3	34,500	22,779	3	34,500	24,000	
Insulation Board		1	6,000	1,500	1	6,000	1,600	
			40,500	24,379		40,500	25,600	
article Board	MT	8	44,900	10,333	8	44,900	10,500	
fety Matches	Million boxes of 50 sticks	6	4,287	4,253.70	6	4,287	4,410	
ork Products								
) Stoppers	Million Nos	2	199	93	2	199	100	
i) Discus	,	2	648	933	2	648	900	
i) Sheets	M sq mtrs	2	1,004	1,084	2	1,004	0.950	
				Refractories				
efractories	Th tonnes	50	1,403	762	50	1,403	800	
brasive Grains	,,	2	9.5	6.4	2	9.5	7.5	
				Ceramic Industries				
lazed Tiles	Tonnes	5	32,884	26,780	5	32,884	30,800	
.T. Insulators	,,	7	21,510	24,176	7	21,510	17,850	Labour trouble in three units.

—Continued

1	2	3	4	5	6	7	8	9	10
3.	L.T. Insulators	,,	14	8,800	898	14	8,800	3,350	Production intercha able with H.T.I ins tors.
4.	Stoneware Pipes	,,	13	76,464	53,621	13	76,464	52,700	
5.	Stoneware Jars	,,	8	8,546	5,728	8	8,546	6,350	
6.	Sanitaryware	,,	9	18,170	16,824	9	18,170	16,450	
7.	Crockery	,,	17	29,340	16,748	17	29,340	17,500	
8.	Synthetic Stones	Kg.	1	21,600	12,185	1	21,600	12,550	
9.	Frits	Tonne	1	4,020	1,673	1	4,020	1,780	
10.	Colours	,,	1	60	32	1	60	40	
				Cement Industry					
1.	Cement	M Tonnes	51	19.76	14.98	51	19.86 M tonnes (as on 1-12-75)	14.50	Severe power cut in first half of the and acute shortage coal almost thro the year coupled out other constra like wagons short breakdowns and railway strike are ponsible for the si ficant short fall in p duction of cement.
2.	A.C. Sheets and Accessories	Tonnes			3,27,000			3,45,000	
3.	Asbestos Cement Bldg. Pipes	,,	9	5,61,000	8,000	11	6,37,000	8,000	
4.	Asbestos Cement Pressure Pipes	,,			74,000			58,000*	*Production less to power shortage Haryana
5.	Asbestos Textile Products (Packing Yarn & Matresses)		3	2,032	1,800	3	2,032	1,780	
6.	Asbestos Jointings & Limpet Sheets		4	3 680	2,800	5	4,350	3,300	
7.	Asbestos Mill Board	Tonnes	1	500	600	1	500	625	
8.	Ferrobestos Sheets	,,	1	100	40	1	100	53	
9.	Profax/Fabrex	,,	1	2,000	544	1	2,000	395	(Production less due lack of demand).
				Mechanical & Engineering Industries					
1.	Safety Razor Blades	M Nos	7	2,442	1,004.11	7	2,530	860.10	Being a non-prio industry raw mater of imported origin allowed on rep replenishment or period allocation value whichever is le Raw-materials requ ed in this industry to be imported and price in the fore market has gone up 125 per cent. Due the above, there be a considerable in production if current policy co nues.

—Continu

2	3	4	5	6	7	8	9	10
wing machines	Nos	5	5,33,500	2,58,124 (Rs 378.19 lakhs)	5	5,33,500	3,25,000 (Rs 490 lakhs)	The appreciable increase is because during 1973 one of the leading units was under lock-out for a period of about six months. They have not resumed normal production.
/pewriters	Nos	4	86,400	32,118 (Rs. 387.73 lakhs)	5	86,400	47,000 (Rs 520 lakhs)	do
and Tools (i.e. SF and orged Hand Tools)	Rs million	109	140	126			182	
recision Measuring ools	Rs million		20	17			20	
gs & Fixtures (includ-g Press Tools, Dies & Ioulds)	,,		25	25			27	
icycles	Lakh nos	13	3,849	25	15	40.19	27	
icycle Parts	Rs in lakhs	40	Since there are a number of parts it is not possible to indicate installed capacity.	1,500	56	Same as under Col 5.	22.40	
			Electrical Industries					
Cinema Arc Carbons	M pairs	3	15.0	8.1	3	15	7.2	
Midget Electrodes	M Nos	1	250	316	2	325	280	
Graphite Electrodes and Anodes	Tonnes	2	10,850	4,666	2	10,850	7,230	
Electrode Paste	,,	3	35,000	2,542	3	35,000	7,600	
Carbon Blocks	,,	1	80	61.6	1	80	62	
Electric Motors	Million HP	33	6,115	3.11	35	6,115	3.2	
GLS Motors	Million Nos	12	144.2	127.35	14	166.2	3.2	
Fluorescent Tubes	,,	10	16.8	11.57	12	19.567	15	
. Miniature lamps	,,	7	40	23.31	8	62.30	38	
. Stampings/Laminations	Tonnes	11	64,000	33,454	11	64,000	35,000	
Dry Cells	Million Nos	11	1,218.0	631.4	11	1,281.0	640.0	
Storage Battery	Thousand Nos	7	1,484.0	1,250.0	7	1,823.0	1,315.0	
Electric Fans	,,	16	2,991.00	2,099.0	16	2,099.0	2,437.0	
Fleshlight Cases	Lakh Nos	3	120.8	71.41	3	120.8	63.12	
Industrial Air Conditioning Refrigeration Equipment	Rs Lakh	20	2,720.0	1,200	20	2,720	1,360	
Domestic Refrigerators	Thousand Nos.	6	175.8	109	6	175.8	102	
. Room Air Conditioners	,,	7	42.78	23.43	7	42.78	30.5	
. Industrial Cooling Towers	Rs Lakhs	3	370	200	3	370	225	
. Industrial Fans and Blowers & Industrial Air Control Equipment	Rs lakhs	19	900	350	19	900	360	
. ACSR/AC Conductors	Tonnes	42	1,07,175	58,150	44	1,09,625	26,000	
. Winding Wires:								
(a) Enamelled Winding Wires	,,	26	18,764	15,165	27	20,800	13,000	

—*Continued*

1	2	3	4	5	6	7	8	9	10
	(b) Paper Covered Winding Wires	,,	20	14,129	5,890	24	16,090	5,000	
20.	PILC Powers Cable	Kms	7	9,786	2,561	7	9.786	2,400	
21.	PVC Power Cables	,,	11	13,709	19,017	11	13,709	14,000	
22.	PVC/VIR Cables	Million Core Mt	26	1,276.3	611	26	1,281.3	530	
23.	Dry Core Cables	Kms }	1	8,250	3,786	1	8,250	3,500	
24.	Coaxiel Cables								
25.	Aluminium Wire Rods	Tonnes	12	46,400	46,798	12	46,400	30,000	
26.	Bare Copper Conductors	,,	4	14,200	1,348	4	14,200	1,400	
	Rubber Goods Industry								
1.	Automobile Tyres	Lakh Nos	9	58.810	50.43	10	62.810	44.556	
2.	Automobile Tubes	,,	9	55.914	47.23	10	59.914	38.567	
3.	Bicycle Tyres	Mill Nos	17	280.47	22.38	19	320.470	210.245	
4.	Bicycle Tubes	,,	16	271.07	146.50	18	360.470	155.936	
5.	Caroon Black	M Ton	2	71,700	55,846	6	71,700	43,391	
6.	Reclaimed Rubber	,,	6	16,820	16,683	6	16,820	13,868.40	
7.	Rubber Contraceptives	Mill Nos	2	325.00	161.72	2	325.00	3366.80	
8.	Rubber Conveyer Beltings	M Tonnes	5	4,702	3,708.60	5	4,702	3366.80	
9.	Fan & V Belts	M Tonnes	9	49.29	62.47	9	49.29	55.95	
10.	Hoses	Mil. metres	9	8.85	5.27	9	9.63	4.12	
11.	Rubber & Canvas Footwear	Mil pairs	11	55.00	38.65	11	55.00	30.60	
	Leather & Leather Goods Industry								
1.	Vegetable Tanning of Hides	Cow Hides	8	21,66,000	727.702	10	22,11,992	8,54,585	
2.	Chrome Tanning of Hides	Hides	10	21,40,000	23,32,156	12	24,86,000	18,81,240	
3.	Western Type of Leather Footwear	Pairs	8	1,38,47,000	7312,809	8	138,47,000	65,02,010	
4.	Indian type of Leather Footwear	,,	8	94,67,000	71,41,815	8	94,67,000	72,47,725	
5.	Picking Bands	Kgs	4	5,01,360	98,756	4	5,01,360	43,750	
6.	Leather Belting	Kgs.	4	2,10,000	62,203	4	2,10,000	61,935	
7.	Glue	M Tonnes	2	2,820	1,918.7	2	2,820	2,333.7	
8.	Myrobalan Extract	Tonnes	2	7,704	705.00	2	7,704	1,284.45	
9.	Cotton & Hair Belting	Tonnes	2	216	18.11	2	216	19.30	
	Paper Industry								
1.	Paper & Paper Board	'000 tons	59	962	797	68	992	825	
2.	Newsprint	,,	1	75	43.8	1	75	55	
3.	Reyon-grade pulp	,,	3	118.5	77.5	3	118.5	100	
4.	Paper-grade pulp	,,	1	22:5	18.9	1	22.5	21	
	Glass Industry								
1.	Bottles and Vials (including semi automatic)	Tonnes	23	2,65,000	1,80,000	26	2,81,000	2,02,786	
2.	Sheet Glass	Mill Sq Mtrs	6	22.00	16.71	6	22.0	14.7*	*Due to lockout, st and tank repair.
3.	Glass Shells	Mill Pcs	7	170	150	7	170	152.5**	**Due to lockout.
4.	Vacuum Flask	Mill pcs	3	4.5	5.5	3	4.5	5.7	
5.	Laboratory Glassware	Tonnes	1	7,200	2,080	1	7,200	2,071	

e big Yes

THE BIG "YES" of Britain's referendum on its membership of the European Economic Community has at long last drowned the
n people's imperial memories and buried their insular instincts. By deciding to throw in their lot with the French and the (Community) Germans, not to of the Italians, the Dutch, the Belgians, the Danes and the Irish, they have shown ney recognize that all past history is always history that is past and that they are ger the master race that used to rule the waves around the world from their island e. It could be argued, of course, that this is knowledge which should have come British man or woman in the street fairly soon after the end of the last world war, is a matter of cold fact that wisdom is usually learnt the hard way which is ally also a long rather than a short way.

Indeed, during most of the last 30 years, when western Europe was remaking it- n the perspective of a period which was taking the world from the 20th century to lst, the British people or at least their governments of those days had chosen to in largely outside this process. This was no doubt due to some extent to their table preoccupation with constructing in their own home-land a society of fairplay, ce and compassion which might in a way vindicate the suffering and destruction of ar Britain had just managed to survive. But there was also the larger truth that in's domestic politics was simultaneously taking a course which, strangely enough, accumulating ideological tensions and antagonisms which were eroding Britain's omic strength, thwarting its economic performance and thereby compelling it to inward, while closing its windows to the world across the Channel.

The referendum of last week, hopefully, may have lastingly changed this and star- he process of Britain integrating itself with the larger world of the EEC in a whole- ted way. Immediately it has immeasurably strengthened the position of the prime ster, Mr Harold Wilson, in the country and should, by the same token, add strength is elbow in dealing with the Left faction in his Labour party and particularly nore troublesome stalwarts, who had actively campaigned for dissociation from Community. The real hero of the referendum, however, is surely Mr Edward th, the ex-prime minister whose Tory government had taken Britain into the munity and who was the main Conservative campaigner for a "yes" vote in the rendum. Britain's classic two-party system never had much use for bi-partisan tics in deciding national issues, but, on this historic occasion, much the larger parts ritain's political parties have come together to obtain from the British people as big broad-based a mandate as could conceivably be secured from a freely voting electo- in an essentially pluralistic society. It may however be facile to suggest that this ld be a prelude to the emergence of some kind of a national government for mastering ain's critical political problems or ministering to its compelling economic needs, this proposition need not remain fanciful under all circumstances. Much would rly depend on the capacity Mr Wilson shows, or the success that may attend his efforts in the days ahead, he sets about hammering his party as well as his parliamentary k-force into sufficiently coherent and powerful means of enforcing discipline on the ons and the economy so that Britain may proceed to revive and revitalise its produc- apparatus in the context of the opportunities now available to it of purposefully ticipating in the activities and progress of the Community in resuming growth with bility in the face of the challenges of the world economic situation.

It is fashionable on occasions of this kind to discuss what the Indian angle could should be. We, however, see no problem of any complexity here. India would have ned nothing had the referendum gone the other way. Now, however, with Britain's mbership of the Community confirmed, India's foreign trade and economic policies ould be in a position to function more easily and effectively as well as in greater com- t while treating with those major economies of western Europe which, collectively, the Community. There are many important issues of trade liberalization or develop- ent cooperation to be initiated or negotiated to firmer conclusions and it has already en shown that Britain's presence in Brussels is in many ways a helpful factor. In- ed, New Delhi could most strikingly show its appreciation of the post-referendum uation by shifting the size, strength and significance of its diplomatic representation establishment from London to Brussels.

eastern ECONOMIST

JUNE 13, 1975

Engineering industry's woes

THE SURPRISE expressed by the union Finance minister, Mr C. Subramaniam, in his address to the last week's annual general meeting of the Association of Indian Engineering Industry (AIEI), that "while the prices of most of the commodities came down during the second half of 1974-75, those of finished engineering goods did not show any signs of decline, in spite of the decline in the prices of ferrous and non-ferrous raw materials, and better availability of power, steel, coal and transport", evinces lack of full appreciation on his part of the present economic trends in the country.

There is no denying the fact that the wholesale prices index registered a steady decline between the terminal week of September and the end of March last, and also the availability of power, steel, non-ferrous metals and transport improved quite significantly during this period. But that obviously could have had only a marginal impact on the production costs of the engineering industry and that too if there had been a substantial improvement in the utilisation of capacities. Not only capacity utilisation, barring in a few sectors, left much to be desired during this period because of the recessionary trends caused by the curtailment of demand but also production costs went up substantially.

The latter fact has been very ably highlighted by the third data sheet brought out by the AIEI recently. This sheet points out that the raw material costs of the engineering industry, representing about 60 per cent of the industry's total expenditure registered an increase of nearly 14 per cent on certain items of iron and steel and up to 17 per cent on non-ferrous metals during the 12 months to February last. The costs of other major inputs derived from crude oil — furnace oil, light diesel oil, lubricants and greases — rose by 28 to 124 per cent. The rail transport charges over the long hauls went up by 14 to 36 per cent and the shipping freight increased by nearly 50 per cent. If notice is taken of these facts, it would be apparent that the prices of engineering products undoubtedly could not have gone down in line with the trend in the wholesale prices index, except in cases where there were distress sales or in respect of items in whose case the mark-up in retail prices earlier had been very high.

What has, by and large, happened in the engineering industry in the recent past is that whereas demand has tended to go down, the production costs have gone up. The only sectors of the industry which have been able to increase, or at least maintain, their outputs are those which cater for the requirements of the power, non-car road transport, agriculture and some core industries like fertilizers. The development plans for these sectors are being accorded a very high priority. The industrial machinery-making units also were not much affected till recently as some demand was there to beat the deadline for enjoying the development rebate facility.

The worst affected have been the wagon, cars and durable consumer goods industries. The wagon industry has been affected by lack of adequate orders from the railways and the manufacture of cars and consumer durables by the anti-inflationary package of the government which has reduced the purchasing power with the general public. To some extent, export orders in some sectors of the engineering industry have been helpful. But ominous portents have appeared on this horizon as well owing to the recessionary trends in the world economy. The tight financial position of both the central and state governments is having an adverse impact on the general developmental programmes and consequently on the engineering industry.

All this has cast a shadow on this year's prospects of the engineering industry. If the present trends continue, the profitability of the industry, which went down from 11.1 per cent in 1970-71 to about 7.9 per cent in 1972-73—the full data for the subsequent two years is not yet available—should get eroded further considerably.

With a view to maintaining a reasonable utilisation of capacity through stepping up exports, several decisions have been announced by the government last we and the Reserve Bank of India abou fortnight ago on the recommendations the Mantosh Sondhi committee. Th include: (i) provision of all the inp needed by the export units — raw m terials, power, export finance, etc. on a priority basis, (ii) protecti to export units against an upwa revision in the JPC prices of st beyond 10 per cent, provided t export contracts do not contain calation clauses to cover adequately pri increases; (iii) maintenance of cash assi tance for sufficiently longer periods th hitherto in respect of exports of capit goods and turn-key projects at the rat obtaining at the time of concluding the contracts; (iv) some increase in the ra of cash assistance within the present cu off point, pending a further comprehensi review to be undertaken shortly, (v) lib ralisation of pre-shipment credit availab to exporting units at concessional rat of interest; (vi) the decision not to charg import duty on raw materials in the ca of advance licences, if these licences a certified by the DGTD and approved b the advance licensing committee; (vi more liberal release of foreign exchang for travel abroad in connection with ex port business; (viii) some rationalisatio of export obligation, (ix) a good deal c simplification of procedures through mak ing the IDBI the focal point for the r ceipt and processing of exporters' prop sals for deferred payment on exports in stead of the application being processed a at present at three or four points, etc.

Some measures have also bee announced to enhance productio capacity to generate exportable sur pluses. All these decisions, indeed are quite wholesome and should g a long way in keeping up th exports of the engineering industry, which last year aggregated to about Rs 275 crore and are planned to be raised this year t Rs 300 crores. Another step that needs t be taken in this direction, of course, is th allowing of expeditious imports of som spares not produced in the country bu which are essential for an efficient after sales service to the customers abroad. I would be, however, presumptuous to as sume that larger exports alone can help

engineering industry to overcome its sent difficulties arising out of declining nestic demand. A revival of domestic nand too is necessary.

'he domestic demand, however, cannot revived to any great extent unless either tempo of economic activity picks up nificantly or the sale prices of the in-stry are brought down. The latter is pri-rily possible only if production costs brought down. The emphasis in the sent anti-inflationary package of the vernment to an overwhelming extent on containing the demand-pull rise in ces. The cost-push inflation by and ge has not only been left untouched but o encouraged to some extent through ising the prices of some essential in-ts — for instance, steel and cement — d also through increases in freight rates. ne only significant gesture on the part of e government for containing cost-push flation has been the deferring of the deci-on on the hike in prices asked for by the tionalised coal industry. But this deci-on cannot be delayed for long; reports iggest that it is likely to be taken by the id of the current month.

If coal prices are raised by Rs 22 per onne, as urged by the producers of this ommodity, no prophet is required to pre-ict that production costs all round would e affected very adversely. The govern-ient fears that the grant of subsidy to the oal industry to meet its losses would ntail larger deficit financing than ontemplated and also would breed nefficiency, both in the use of oal and in its production. These ears are not wholly unjustified. Yet n experiment with subsidy for coal for couple of years should be worthwhile.

The containment of cost-push inflation can legitimately be expected to foster normal growth in demand for indus-rial products. That should result n a better utilisation of capacities than vould be the case otherwise. Increa-sed output should automatically help in larger tax receipts and if the unproductive expenditure of the govern-ment is contained in right earnest, deficit financing can be obviated to a great ex-tent. No doubt some efforts at containing unproductive expenditure have been made in the recent years, but still a good deal further can be done in this direction. The easing of the food and fertilizer supply positions this year can be availed of to provide some subsidy to the coal industry. Simultaneously, however, vigorous efforts have to be made to raise productivity in this industry and also to eradicate malpractices in it.

So far as the engineering industry is concerned, the redressal of its two grie-vances regarding domestic steel supplies can also go some way in containing costs of production. The engineering industry's plea for a consumer-orientation of the production of steel alone can assist in bringing down by 10 to 15 per cent wast-ages of steel caused by the current supply pattern. Whereas the industry can do with thinner sections of steel, heavier sec-tions are being supplied to it. Further, the recent steel distribution policy is said to have pushed up the cost of steel to the engineering industry by Rs 200 to Rs 500 per tonne. The Steel Authority of India is understood to have agreed to look into the matter in the interest of avoiding "unconscionable" increase in this cost. But even a Rs 200 per tonne increase in the delivered prices of steel is not something which can be glossed over.

The government has also to take some firm decisions about the incomes and wages policy. The distortions introduced in the country's wage structure by yield-ing to the demands of some pressure groups in the last one decade have to be corrected vigorously. Otherwise, the con-tainment of cost-push inflation will re-main only a dream. The linkage of wage increases with productivity cannot be avoided any longer. Concerted attempts have to be made expeditiously in this direction.

Power for aluminium industry

THE DECISION of the Madhya Pradesh Electricity Board to impose a cut of 12 per cent on the consumption of power by the Bhilai steel plant, in order to meet partially the needs of the aluminium smelter at Korba, brings out tragically what can happen to the Indian economy on account of serious lapses in power planning. Madhya Pradesh and Kerala have hitherto been the only two states free from power shortage and the state electricity boards were even priding themselves over the fact that they had a surplus to export to the neighbouring states. It was little realised by the Madhya Pradesh government that its surplus of electricity would turn into a deficit when power intensive industries were promoted and electricity was used on a large scale also for agricultural purposes.

There is now a wrangle between the Madhya Pradesh Electricity Board and Bharat Aluminium Company, a central government undertaking, over what price should be paid for the supply of power and how the additional pot lines should function. A price of 10.5 paise per unit has been suggested against less than six paise paid by Indian Aluminium Company for the requirements of its Belgaum smelter and by Madras Aluminium Com-pany for its consumption at the Mettur smelter. The smelter of Hindustan Alu-minium Corporation at Renukoot in Uttar Pradesh is getting only half of its requirement even on an attenuated basis and is generating about 900 million units annually from the thermal station of the subsidiary. Because of the heavier cost of thermal generation and the special rates and surcharges imposed by the Uttar Pradesh Electricity Board, the average cost works out to 9-10 paise per unit. This cost will increase when addi-tional thermal capacity is installed and the Uttar Pradesh Electricity Board also supplies power from its thermal sources.

It is now seriously discussed between the state electricity boards and the central government what should be the approach adpted for pricing electricity for power intensive industries and how the viability of working of state electricity boards

should be improved. Time was when the empasis was on keeping down the cost of production of aluminium with the supply of subsidised power and other incentives. It is now however realised that large production of aluminium in a state cannot be heavily subsidised as the benefit of cheaper aluminium is derived by the whole country while the losses are sustained by particular electricity boards. The force of this argument will be recognised if it is pointed out that the power needs of Hindustan Aluminium Corporation for producing 1.2 lakh tonnes of virgin metal will be over 2400 million units which is easily 30 per cent of power generated in Tamil Nadu, a region having a fairly high per capita consumption and yet suffering from serious power shortage. If this quantity of power is to be supplied to HINDALCO at six paise per unit the loss sustained by the Uttar Pradesh Electricity Board will be Rs 9.6 crores on the assumption that its average cost of generation will be 10 paise per unit. It is of course expected that over 50 per cent of power supply will be from HINDALCO's subsidiary and the cost of thermal power may be more than 12 paise per unit even taking into account the proximity to coal areas.

The question now therefore is what should be the proper approach and how the state electricity boards can be compensated for their losses. Clearly, the anomalies have to be removed as the cost of power for HINDALCO is 25 per cent of total expenses while it is 15 per cent for MALCO and INDAL. The disadvantage on account of power alone is Rs 800 per tonne and BHALCO will have a similar disability if Madhya Pradesh's claim for charging 10.5 paise per unit is conceded. The Tamil Nadu Electricity Board is in an awkward plight, as it has to pay high prices for purchased power, even the supply from Kerala costing 9·5 paise per unit. The supply from Neyveli costs more even when power is generated from lignite. At Ennore the cost is much higher because of heavier capital outlay and the heavy expenses incurred in importing coal. The average cost of power generation may be easily 15 paise per unit and this cost is bound to increase with the expansion of activities of Ennore and Neyveli.

Unfortunately, the bulk of existing aluminium capaciiy is now located in areas where there is acute power shortage. In Karnataka, Tamil Nadu, Orissa and Uttar Pradesh there is no immediate prospect of a significant improvement in power availability. Only in Kerala the Alupuram smelter of INDAL is functioning without any difficulty though there are complaints about outages and voltage fluctuations. In view of the restrictions on consumption and a feeling that power denied to the aluminium smelters can be made to go a longer way when used for agricultural purposes and for industrial operations requiring relatively smaller quantities of energy, it is unlikely that the industry will be in a position to use more than 60 per cent of its capacity in the near future.

How are the difficulties in this regard to be overcome? Will it be correct to ask the companies concerned to erect captive generators? And what should be the approach to power planning when encouraging the promotion of new power intensive industries? Satisfactory answers have to be found to these questions. Immediately, the state electricity boards are more worried about getting more for the quantities of power now being supplied rather than providing additional power at extra cost. The position in Karnataka may probably improve after three years when the Kalinadhi project arrives on the scene. But with demand growing at a faster rate than increases in supply it has to be decided without delay that a thermal station should be located on the west coast. In Uttar Pradesh the emphasis will be on thermal generation for some years while in Madhya Pradesh additional capacity will necessarily have to be thermal in character because of its easy access to coal. In Orissa too, a similar possibility exists while Tamil Nadu has no option but to increase thermal generation.

In view of the above-mentioned difficulties and the prospect of a continuing increase in generation costs, there is no escape from fixing the price of aluminum on the basis of costlier power. Assum that an average price of 12 paise per u will be reasonable to the supplier, th will have to be an increase in the pr of aluminium on account of this fac alone by Rs 1200 per tonne. The indus will require 5,000 million units annua for activising a capacity of 2.5 la tonnes and the quantity will double 10,000 million units annually if the ou put of aluminium is to be doubled.

The central govenment has obviou to take a helpful attitude as it is t main beneficiary at the present mome when the state electricity boards a the aluminium producers are losers. fantastic excise duty is being levied virgin metal of commercial grade a the excise duty proceeds may be easi Rs 100 crores in a year of reasonab production. The loss sustained by t electricity boards on cheaper pow supplies will not be more than Rs crores. What prevents the centre fro saying that power should be supplied the aluminium units on a uniform bas and whatever loss is sustained by t state electricity boards should be rein bursed by the centre out of the revenu derived from excise duties? The sta electricity boards may of course deman that they should be suitably compensat on the plea that no useful purpose will b served by subsidising sales when bett prices can be secured in other direction

The cost of power charge for use by aluminium smelters shoul therefore be affording a reasonable re turn on investment of the state electricit boards. In order to satisfy the claims o electricity boards it may be agreed tha the companies concerned should pa uniform charges while the state electricit boards should be compensated for th difference between the cost of powe generated and that for energy supplied As the reimbursement will not be mor than Rs 25 crores and part of the highe cost of power can be recovered with suitable adjustments in selling prices the centre should be agreeable to com pensate the state electricity boards fo their losses on a defined basis while th selling prices for the virgin metal ar suitably raised with an appropriate re

tion in excise duties. This will pre-
t a big increase in end prices.

It should of course not be rlooked that the revised rates power supply will not result any improvement in power availility without urgent steps for insling additional generating capacity. tes like Karnataka and Kerala have lefinite advantage as there is a large tapped hydel potential. The further elopment of the industry is probably tated in these regions. The important question however is to bring about an increase in production with the existing capacity and it may have to be decided that new thermal capacities will have to be created without delay in Karnataka, Tamil Nadu, Madhya Pradesh, Orissa and Uttar Pradesh. The new thermal stations can be on a captive basis or by the state electricity boards. Without definite plans for augmenting power availability all talk of promoting the further development of electrochemical and metallurgical industries will be meaningless.

lectronics ndustry: pward trend?

HE DEPARTMENT of Electronics, in its nual report for 1974-75, has reported per cent increase in production of elec-onic goods in 1974 over 1973. Rising ices of electronic products, it was coneded, were partly responsible for this psurge in production. Eliminating the npact of increased prices, the department ame to the conclusion that "the real rowth from 1973 to 1974 on a weighted verage basis is, therefore, 15 to 18 per ent for equipment and 28 to 30 per cent or components". At a time when the utput of industry in general was sluggish lue to a variety of causes, the perforance of this sophisticated industry ppeared extremely encouraging.

However, there was need to collect and nterpret the production data on a scientific basis, and in this the department had better seek the assistance of the Central Statistical Organisation (CSO). The compilation of data on value basis tended to bring in elements of error which could vitiate the whole exercise. Also, the practice of the department to add the value of equipment and components produced in a given period for arriving at the total production was questionable as it involved double counting. Each electronic equipment made use of a number of electronic components; therefore it was unfair to include the value of a component first at the components' stage and then at the equipments' stage for arriving at total production. Let a panel of experts look into this question and add another report to the long list of reports prepared by the Planning and Analysis Group of Electronics Commission.

When the Electronics Commission was set up more than four years ago under Prof. M.G.K. Menon, it was hoped that besides being beneficial to the domestic consumers its speedy growth would also increase this country's export earnings. The export of electronic goods in 1974-75 was no more than Rs 9.26 crores bulk of which consisted of data processing equipment and radio sets. And for this credit went to two companies — International Business Machines (IBM) and Philips India Ltd — which together accounted for more than half of the exports of this industry. Hundreds of licences given to the small-scale sector had so far produced no tangible results on this front. Even the Santa Cruz Export Processing Zone (SEEPZ) whose approval was given by the cabinet in 1972 had not made any significant contribution to this industry's export effort. This project had been started with great fanfare and a number of concessions were promised to the industry but failure to live up to the assurances had dampened the enthusiasm of entrepreneurs who had booked space in SEEPZ. They were all having second thoughts about the usefulness of the project. The world-wide recession in the electronics industry had become an additional discouraging factor in this regard.

There had been a recent shift in government policy regarding the issuance of licences and letters of intent to foreign companies. For 100 per cent export industries, the licences to these firms were being issued liberally. According to newspaper reports, the licenced capacity of Philips India had been raised to a million radio sets a year. In fact, Philips was reported to have manufactured more than 800,000 radio sets in 1974 and the new licence practically regularised the already existing capacity. Incidentally, the production of radio sets in 1974 in this country rose to 3.6 million recording a rise of a minimum radio sets over 1973. The indigenous radio market did not have the capacity to absorb all the increase in production of radio sets and it was indeed commendable that an effort was being made to increase their sale abroad.

According to the Post and Telegraphs department, a little more than 14 million radio licences had been issued at the end of 1973; the number of radio sets operating without a licence was anybody's guess. In a country with the number of households ranging between 110 million and 120 million, the ownership of radio sets — one in nine households — was pitifully low and steps needed to be taken to increase their popularity. The radio industry in this country had made some recommendations in order to stimulate their demand which merited consideration by the government.

First, the licence fee for a radio set should be scrapped because the income of the Information and Broadcasting ministry from commercial broadcasting had increased enormously and it offered further scope for expansion. With increasing sale of radio sets in the rural areas, the collection of licence fee was difficult and it also resulted in evasion on an increasing scale. If it was not possible for the government to abolish the licence fee, it could at least raise the ceiling price of low cost radios from Rs 150 to Rs 250 for the purpose of obtaining concessional licence. Second, the whole country should be covered by a net-work of radio stations; currently, some parts of the country were left outside the range of the broadcasting stations. Even though the Department of Electronics was reported

to be in agreement with these recommendations, it had failed to bring round the concerned ministries. As a consequence, the industry failed to revive except in relation to foreign demand which was catered for largely by the big companies enjoying the benefit of a good image.

The entertainment equipment sector of this industry was known to be a fast-moving one. Here, the most important element was, besides the radio industry, the TV manufacturing industry which in 1974 had to suffer a slight setback due to the non-availability of TV tubes. The output of TV sets was a little more than 74,000 in 1973. For 1974, the department had made no precise estimate though unofficially it was known that output was between 60,000 and 70,000 sets. The paucity of TV tubes had forced some units to scale down their operations. The department had authorised the Electronics Trade and Technology Corporation — a new state-owned undertaking — to import 40,000 TV tubes though not all the imports had taken place till the time of writing this article. Besides the non-availability of TV tubes, this nascent industry had to face a number of hardships caused by the uncertainty regarding the opening of the new TV stations. The Calcutta and Madras TV stations should have been in operation by this time if the word of the ministry of Information and Broadcasting was to be believed. The delay in their establishment was adding unnecessarily to the costs of the TV manufacturing units who had their production centres elsewhere and had to set up the distribution centres in these two metropolitan stations.

Thanks to the efforts of the Electronics Corporation of India Ltd (ECIL), the number of computer installations had risen to 266 in 1975 as agains 226 in 1974, 200 in 1973 and 180 in 1972. But the demand for computers was expected to increase at the rate of more than 100 computers a year during the next three to four years. Various sectors in the economy such as universities, steel, power, banking, oil prospecting, agricultural research and railways were in need of computers to accelerate the pace of their operations. As stated by the department of electronics, "of the approximately 260 computers currently installed in the country, about 108 are of the IBM-1400 series. The latter have nearly outlived their utility and would require to be replaced within the next few years". The moot point was: what steps had the department taken to augment the supply of computers keeping in view the fa that the indigenous capacity was insuffi ient? Concrete steps needed to be taken hasten the supply of the computers if t progress of work in different sectors the economy was not to be held up.

Free trade zones

A PROPOSAL to set up a free trade zone in the Salt Lake area near Dum Dum in West Bengal has been under the consideration of the government of India for the past two years but till now little progress has been made in this direction. Reports however have recently appeared in the newspapers that about 150 entrepreneurs from West Bengal have informed the government of their intention to set up industries in this zone. This news seems to be too good to be true.

The climate for investment in West Bengal continues to be uncertain and uncongenial mainly because of the persistent shortage of power. Extensive and unscheduled load shedding which had ceased for the past four months has again started, causing great hardship to industries at a time when many of them are facing difficulties due to the recessionary conditions. Have the entrepreneurs who have expressed their eagerness to start industries in the Salt Lake zone satisfied themselves that the government of West Bengal will be able to provide them with adequate and uninterrupted supply of power?

The industries to be set up in this free trade zone include engineering goods like stainless steel cutlery, mechanical toys, scientific and laboratory equipment, consumer electronics, domestic electrical appliances, garden tools, miniature decorative lamps and brass padlocks. Other industries identified for location in this zone are plastic products of various kinds, leisure-time equipment like yachts and small boats, and ready-made garments. It is true that these products have a large export potential. But it seems doubtful whether the government of India or the government of West Bengal or the entrepreneurs concerned have made any studies or surveys of the export prospects of these products. The fact that the world trade in these items is substantial does not necessarily mean that those made in t Salt Lake zone will have a ready mar in foreign countries.

The government of India has not announced what kind of incentives w be available in the Salt Lake zone. It expected, however, that all the incentiv enjoyed by the units in the free trade zon in Kandla and Santa Cruz will be ava able to the entrepreneurs in the Sa Lake zone. Even so, New Delhi shou clarify this matter at an early date so th entrepreneurs can go ahead with the projects with confidence. The free trad zones in Kandla and Santa Cruz have n been progressing according to expecta tions. In Kandla, the incentives have bee given in a piece-meal and half-hearte manner with the result that they hav not produced the desired impact. Th infrastructure facilities were also n developed in time. It is not surprisin therefore that the export earnings fro this zone have been relatively negligibl The total value of exports from this zon since its inception up to December 197 is estimated at Rs 718.83 lakhs includin Rs 1.08 lakhs of re-exports. In the sam period the total value of import licence issued for these units was Rs 507.83 lakh for raw materials and Rs 93.34 lakh for machinery and spare parts.

The latest annual report of th Commerce ministry says that durin 1974-75, "for invigorating the zone significant steps for streamlining the setup were taken". It observes: "Th Kandla Free Trade Zone Committee wa replaced by a high powered Kandla Fre Trade Zone Board as the main focal poin for taking decisions on all applications fo industrial licences, import of capita goods, foreign collaboration, MRTP clearance wherever required and for clearance under the Foreign Exchange Regulation Act. The Kandla Free Trade Zone Steering Board was renamed as Kandla Free Trade Zone Authority".

Another important decision taken during the year was to treat indi-

us supplies of capital goods, ment, raw materials, components, s, tooling and packaging materials rest of the country to the zone as ts and eligible for export incentives as cash assistance, duty drawback, To offset the locational disadvantage ting, among others, in additional port cost to the zone units, transport dy at one per cent of the f.o.b. e of exports was granted since ch 1, 1974. It remains to be how effective these steps are g to be in augmenting exports from zone and in attracting more entrepre- s to this area. At the beginning of 4, only seven units were operating in zone. During 1974, two units were ved and five new units were set up. he Electronics Export Processing Zone anta Cruz has also not been able to act many entrepreneurs. The project been devised so as to achieve the optimum level of production from 1977-78 when the average annual rate of exports is estimated to amount to Rs 50 crores with average 50 per cent value added content. But only five units had started production in the last year and their export from September 1 till December 3, was valued at Rs 1.60 lakhs. Five other units were expected to begin exports in March 1975. Till the end of last year, 41 applications had been approved for setting up units in this zone with an export potential of about Rs 76 crores per year.

The leisurely manner in which the scheme in the Salt Lake area is being set up shows that the government of India has not learnt the appropriate lessons from Kandla and Santa Cruz. Nor has the government fully realised what free trade zones, soundly conceived and efficiently operated, can contribute to the earnings of foreign exchange and the creation of employment opportunities.

Extraordinary, ut

EXTRAORDINARY general meeting of e shareholders of Premier Tyres Ltd s held recently and the business it nsacted was also extraordinary. This s the passing of a resolution authoris- g the board to remove from the register shareholders the name of any person ose activities and conduct may be found the board to be detrimental to the mpany's interest. This seems to have arked off a controversy in stock ex- ange circles which is perhaps even more vely than the one prompted by the go- ernment's dividend restraint ordinance July last year. People, quite clearly, n over-react, with or without sufficient rovocation. This is not to say that oncern is not justified. The owers which the board of Premier yres have now sought and secured re, on any showing, unusual. By he same token, no board of directors would have lightly taken the step. There s therefore a *prima facie* case for objec- ive observers to consider the situation lispassionately in the light of all the rele- vant facts. Unfortunately the prevailing endency seems to be somewhat different.

For instance, an allegation is already being made that the board's move has been prompted by possibilities of one of the groups in the company attempting a take-over bid. This suspicion has been aired in such a casual manner that it could be doubted that it has been voiced with a sufficient sense of responsibility. A rather more restrained version in the financial press has it that the Premier resolution may have a certain background which cannot be lightly dismissed as irrelevant. For instance, there is a complaint that certain shareholders, for reasons of their own, have been trying to malign the management to the extent of possibly harming the company's normal working. It has even been alleged that false representations were made to the company's bankers with a view to influencing them to withhold banking facilities. The bankers, it appears, have naturally taken a responsible view of their functions and obligations, but the fact remains that if a shareholder or some shareholders have in fact been behaving in this manner sufficient means should be available to the general body of shareholders or the board acting in its interest and on its behalf to protect the company from the harmful effects of such prejudicial activities. Incidentally, it may not always be possible for the company to seek legal redress in all such cases where its interest may be sought to be harmed by false propaganda or other motivated or malicious activities of individual shareholders.

The law has both provisions and machinery to regulate or police the functioning of companies or their boards in order that the legitimate interest of shareholders is safeguarded. Special and specific protection is also written into the law to ensure that there is no oppression of minority shareholders. It is therefore not easy for a company board to abuse its powers or authority even where it has found it necessary to seek and secure powers which may give it unusually large discretion. In the present case, the board is reported to be seeking the approval of the Bombay stock exchange for the resolution before it proceeds to give effect to it in particular cases should it find it necessary to do so. The authorities of the stock exchange would no doubt consider all relevant aspects carefully before coming to a decision. To cook up a sensational atmosphere in the financial press or elsewhere in the meanwhile is unseemly and should be a self-defeating exercise. An attempt has been made to conjure notions of things being done or attempted to be done behind the back of the department of Company Affairs. This is sheer nonsense. This department, surely, should be as interested in safeguarding the legitimate interest which the general body of shareholders has in the proper functioning of a company and its management unobstructed by objectionable activities of individual shareholders as it is in preventing or penalizing actions of boards or practices of managements which are oppressive of any section of shareholders. The conclusion, then, must be that, while the powers sought by the board of Premier Tyres on this occasion are undoubtedly unusual, the merits of this move must be considered and pronounced upon by the authorities competent to do so whose responsibility is the two-fold one of protecting the legitimate rights of shareholders, whether individuals or groups, while safeguarding the equally legitimate interest every company has in its board performing its normal functions unhampered by activities of individual shareholders which are calculated to or which may have the effect of adversely affecting the conduct of its normal business by the mangement of that company.

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

do-Soviet Trade and Collaboration • Wheat Procurement • FCI's Reorganisation

o MAJOR developments are expected ake place in the Indo-Soviet trade and nomic co-operation in the near future. se are: (i) the two countries collabo-ng to set up specific projects in either ntry to cater for the needs of the other; (ii) purchases by either country of ipment and machinery from the other putting up projects in the third coun-s.

ne two developments, it is thought, will only enable them to deepen their eco-mic ties but also help in adding new nensions to the trade between them, ich this year is expected to go up to ound Rs 750 crores from Rs 618 crores t year and just Rs 300 crores in 1971.

Concrete shape is said to be being en to the projects which can be set up India or the Soviet Union based on the v material resources of the country ncerned, through the supplies of ma-inery and equipment by the Soviet nion or India, respectively, the suppliers machinery and equipment ultimately sorbing the end-products of the units ncerned.

ture requirements

The Soviet Union is understood to be terested in meeting part of its future re-uirements of such products as caustic da, fabricated mica and fluorspar con-ntrates from India through assisting the tablishment here of specific projects in ese lines of manufacture. It is also said be considering the possibilities of im-orting chlorine and hydrochloric acid hich are available as by-products from a ustic soda plant.

India, it is learnt, has shown interest in tting up a paper and pulp manufactur-g unit in the Soviet Union on the basis f supplying machinery and equipment and mporting the manufactured products rom the Soviet project.

The above development, of course, is not an entirely new one. A slight varia-tion of this has already been practised in our country. Iran, for instance, has agreed to assist in the development of the Kudre-mukh iron ore mines the entire production of which will be exported to this oil-rich country. Iran, of course, will not be sup-plying any machinery for this project, it will finance the procurement of the ma-chinery. Japan too has done a similar thing earlier in respect of iron ore mining in Madhya Pradesh. But it has also sup-plied equipment for this project.

The Soviet Union also has gone in for the purchases of the end-products of some of the projects set up here with its assis-tance in the past. It arranged exports of steel from Bhilai to a third country when surpluses accrued there a few years ago. Such instances hitherto, however, have been only a few.

cotton deal

The Soviet Union has as well expressed its willingness for continuing the cotton conversion deal under which it supplies raw cotton to India and imports the fabrics made out of it by paying processing char-ges. It has shown interest in extending this arrangement to woollen textiles. Ma-chinery supplies have been offered in the latter case.

Several other areas of Indo-Soviet eco-nomic co-operation are understood to be being explored. These include the manu-facture of machine tools, leather products and computer software.

So far as Indo-Soviet collaboration for setting up projects in the third countries is concerned, the Soviet Union is said to have expressed its willingness to utilise the products of such units (which were set up with its assistance) as the Heavy Engineering Corporation and the Mining and Allied Machinery Corpora-tion. The Soviet Union, of course, may use the products of some other pub-lic sector projects also for this purpose. These units are being identified.

The above matters came up for detailed consideration during the talks with the 11-member Soviet delegation led by Mr I.T. Grishin, which visited New Delhi a few days ago for finalising a new trade and payments agreement for the five years to 1980. The current agreement expires this year. The union ministers of Planning, Industry and Commerce, Mr P.N. Haksar, Mr T.A. Pai and Mr D.P. Chattopadhyaya, participated in the talks from the Indian side. They will co-ordinate with one another closely for the next round of talks to be held in the Soviet Union shortly.

* *

Evidence is growing to the effect that notwithstanding the optimism of the union ministry of Agriculture and the last rabi crop being quite satisfactory, the target of procuring 5.5 million tonnes of wheat is not likely to be attained. With the peak market arrivals period almost over, only 2.853 million tonnes of wheat had been procured up to June 4, as against nearly 3.275 million tonnes procured till that day during the 1974 marketing sea-son. The last year's procurement being on quite different basis — through levy on private trade in most areas and some direct purchases by the Food Corporation of India in some areas — last year's pro-curement figures do not have much validity for comparison with the current year's procurement drive. Last year up to June 4, only 0.867 million tonnes of wheat had been procured.

The only states which by June 4 this year had been able to procure wheat to the extent of more than 50 per cent of the targets set for them were Bihar, Madhya Pradesh, Punjab and Rajasthan. Against a target of three million tonnes, procure-ment in Punjab had been of the order of 1.849 million tonnes. Rajasthan had pro-cured 1,04,900 tonnes as against the target of 1,75,000 tonnes. Madhya Pradesh

1,02,500 tonnes as against 2,00,000 tonnes target and Bihar 32,100 tonnes as against 60,000 tonnes target. In Haryana and Uttar Pradesh — the other two major surplus producing states — the procurement had been only 2,93,700 tonnes and 4,35,100 tonnes, as against the targets of 700,000 tonnes and 1.2 million tonnes.

Among the other wheat growing areas, Gujarat had up to June 4 yielded only about 9,900 tonnes, Jammu and Kashmir 5,800 tonnes and Maharashtra 19,400 tonnes. The targets set for them are 30,000 tonnes, 15,000 tonnes and 100,000 tonnes respectively. No procurement had been reported from the union territories of Delhi and Chandigarh. The target for them, along with some other small wheat producing areas, is 20,000 tonnes.

procurement figures

The figures of procurement up to June 4 in the 1974 marketing season were: Bihar 17,700 tonnes, Gujarat negligible, Haryana 4,31,600 tonnes, Jammu and Kashmir 3,700 tonnes, Madhya Pradesh 161,600 tonnes, Maharashtra 10,400 tonnes, Punjab 1.998 million tonnes, Rajasthan 51,300 tonnes, Uttar Pradesh 518,900 tonnes, Chandigarh 300 tonnes and Delhi 200 tonnes. Thus, whereas Bihar, Gujarat and Jammu and Kashmir and Rajasthan have been able to show some improvement in procurement this year compared to 1974, the procurement in all the other states is trailing behind the 1974 figures.

The argument of the union ministry of Agriculture that the late winter rains, which had brightened the prospects of the rabi crop, has delayed the marketing of wheat this year does not now hold good as the peak arrivals in all the producing states are over. In fact, the market arrivals in Haryana and Uttar Pradesh are reported to have gone down appreciably in the past few days. The Haryana government has even represented to the centre that the price control on the free sale of wheat in Delhi should be reimposed in order to check smuggling of the commodity from that state to the union territory.

The primary reason for the less-than-expected procurement this year appears to be the substantially higher open market prices compared to the procurement price (including the incentives provided to the agriculturists for tendering their products to the procuring agencies). The open market prices are marginally higher than the procurement price only in the states of Punjab and Haryana and the union territory of Chandigarh. In all the other states, they far exceed the procurement price. The open market prices (per quintal) range from 115 to 163 in Uttar Pradesh, Rs 145 to Rs 185 in Rajasthan, Rs 187 to Rs 250 in Maharashtra, Rs 156 to Rs 176 in Madhya Pradesh, Rs 165 to Rs 175 in Gujarat, Rs 130 to Rs 135 in Bihar and Rs 150 to Rs 180 in Delhi.

According to trade circles, procurement by the end of this month — by which time an overwhelming proportion of marketable surplus would have been liquidated — would be slightly over four million tonnes. Even though the affluent sections of the farming community might be withholding some stocks, which they would unload on assessing the prospects of the next kharif crop, the addition to the procured stocks during the three months to September, it is felt, cannot be as large as would be needed to accomplish the target of 5.5 million tonnes. Both Punjab and Haryana are understood to have told the central government that they would not be able to achieve the targets set for them. Major shortfalls in the attainment of targets are also expected in Uttar Pradesh, Rajasthan and Maharashtra. Procurement in the other producing areas is expected to fall short of the targets by 25 to 50 per cent.

Meanwhile, during the month of May, as against 33,754 wagons (4-wheelers), indented by the Food Corporation of India for the movement of procured wheat, only 18,592 wagons could be utilised. This is another indication of the procurement operations leaving much to be desired last month.

* *

The union minister for Petroleum and Chemicals, Mr K.D. Malaviya, revea[led] in an informal talk with newsmen h[ere] last week that although it was envisa[ged] to reorganise the fertilizer manufactur[ing] units under the charge of the Fertili[zer] Corporation of India into smaller grou[ps] either on regional basis or on produ[ct] basis, the FCI was not proposed to [be] wound up. Its exact role in future, [of] course, is yet to be decided upon; it m[ay] act as a monitoring organisation far [re]moved from the secretariat work.

The reorganisation of the public sect[or] fertiliser projects into smaller groups h[as] been thought of in the interest of decentra[li]sation of decisions. It is felt that the pr[o]posed regrouping will make it possible [to] identify the problems of the manufactu[r]ing units more expeditiously. It w[ill] also enable initiation of remedial measu[res] more quickly than at present.

Referring to the development of t[he] Bombay High oilfield, Mr Malaviya d[is]closed that the planning work had a[l]ready been initiated for erecting infr[a]structure facilities. Discussions had be[en] started with groups of firms about t[he] putting up of permanent platforms, tan[ks] and pipelines.

The mobile drilling platform — Sag[ar] Samrat—Mr Malaviya stated, could n[ot] be jacked at the sixth well near the per[i]phery of the currently demarcated Bom[]bay High structure due to cyclonic weathe[r]. If the weather conditions improved f[or] four or five days, it was still possible t[o] jack up the platform at the sixth we[ll] site and exploration carried on durin[g] the monsoon season. Otherwise, th[e] task would have to be undertaken onl[y] some time in September.

Eastern Economist 30 Years Ago

JUNE 15, 1945

The time is long overdue when the policy and methods of controlling capital issues in India should be modified. There was no justification in the conditions of India for developing a system of capital issue control on the model of Britain. Inflation was allowed to go on unchecked and one of the methods of controlling it by organising the country for increased production was not availed of. Anyhow now that the western war is over and that Britain has relaxed the capital issue control to a large extent the Government of India should examine if there is any justification for the continuance of the control of capital issue. Nothing strikes the Indian observer so much as the contrast between the spirit of government in Britain and that in India. The Britis[h] Government is out to bring about the condition[s] necessary for recapturing the export trade and fo[r] securing full employment. The new policy of cap[i]tal control announced by Sir John Anderson re[]cently marks a great change in the purpose of cap[i]tal issue control. It is based on the recognitio[n] of the immediate urgency to bring about a smoot[h] transition from war economy to peace economy. The ban on capital issues for new companies no[t] intended for war purposes has been so far lifte[d] that practically the entire range of peace time pro[]duction can now hope to obtain permission fo[r] new issues of capital.

Strategic aspects of corporate tax planning

S. R. Mehta

The Management Development Institute, New Delhi, conducted a programme titled 'Strategic Aspects of Corporate Tax Planning' at Mussoorie from May 12 to 17. The Programme was inaugurated by Mr. S.R. Mehta, Chairman, Central Board of Direct Taxes. His keynote address is reproduced here.

[T]AXATION, DIRECT as well as indirect, [is] the principal source of public revenues [in] modern progressive countries, whether [d]eveloped or still engaged in the process [of] development. The role of the state is [n]ow no more circumscribed to the tra[di]tional governmental functions of main[te]nance of law and order and providing [in]ternal and external security. Today, [th]e distances on our planet have been [n]arrowed down by swift turbo-jet trans[p]ort links and instant telecommunica[ti]ons. We are living in the age of auto[m]ation, computerisation, harnessing [o]f the atom and exploration of the [s]pace.

Modern industry and trade have [a]chieved new dimensions and coverage [t]hrough ever-improving technology, [i]nnovations, and development of new [t]echniques of marketing, sales promotion [a]nd business management. Modern [i]ndustry is now essentially knowledge-[b]ased and through the extension of the [b]ase of education and the wide reach of [i]nternational communication and pub[l]icity media, people, all over the world, [n]ow share common aspirations for the [u]se of the latest products of industry and enjoying a better standard of living. In the context of these developments, the patterns of industry, trade and commerce are becoming more and more sophisticated and assuming closer national and international links, greater interdependence and wider ramifications than at any time before.

multinational corporations

In developed countries, industry and commerce are now centred around large corporations, national and multi-national, having elaborately organised technostructures and commanding vast financial and other material resources which hold immense potential for the economic well-being and progress of society within an adequate framework of economic regulation and social control. Progressive countries all over the world are now moving from local or regional markets to global markets with an international flow of technology and means of industrial production and widely dispersed channels of trade and commerce.

Socially and economically, the life of the common man is now becoming increasingly institutionalised. These developments have cumulatively given rise to a host of economic and social problems casting onerous responsibilities on the State to harmonise and protect the interests of various sections of the community and secure economic and social well-being and progress of the society in an orderly and sustained manner. It is now well recognised, in the words of Abraham Lincoln, that the legitimate object of the government is to do for the people what needs to be done, but which they cannot, by individual effort, do at all, or do so well, for themselves.

The tasks which a modern welfare state has to perform have led to the creation of a plethora of social and economic legislation and administrative regulations and controls as well as direct participation by the government in economic and social activities in selected fields. This has led to an enormous increase in the level of governmental expenditure in progressive countries. Thus, in the USA, which is regarded as a model of a capitalistic society, governmental expenditure rose from \$ 3 billion in 1913, to over \$250 billion per year in 1970.

The problems faced by governments in developing countries such as ours have special features and complexities which make it necessary for the state to embark on economic planning to create the basic, social and economic infrastructure which is an essential prerequisite for economic growth; to identify and mobilise financial resources necessary to attain the targets of investment and production; to engage in developmental activities in priority sectors of the economy; and to take measures for economic and social regulation which would raise the standard of living of the common man, protect the interests of the weaker sections of the community, level out regional imbalances in development and minimise undue disparities in income and wealth.

internal resources

The accomplishment of these objectives in our country has necessitated massive mobilisation of internal resources by the state on an increasing scale of which the principal instrument has been, and necessarily is, taxation, direct and indirect. Thus, our revenues from income-tax and corporation tax have risen from Rs 163 crores in 1955-56 to about Rs 1,508 crores in 1974-75. During the same period, the revenues from customs and central excise duties have risen from Rs 312 crores to about Rs 4,000 crores. The total tax revenue of the central and state governments and the union territories, which was about Rs 768 crores in 1955-56, has exceeded Rs 8, 000 crores in 1974-75. This has enabled the central and the state governments to embark on large developmental outlays which rose from about Rs 691 crores in 1960-61, by about four times, to Rs 2,740 crores approximately in 1971-72.

Our economy has made large strides through the developmental efforts of the government. The general index of our

agricultural production rose from the base of 100 in 1950 to 169.9 in 1969-70. The general index of industrial production rose from the base of 100 in 1951 to 169.7 in 1960, and from the base of 100 in 1960, to 180.8 in 1970. We have now a firm agro-industrial base and have attained self-sufficiency in several spheres. Our industrial production has diversified considerably, and our exports increased from Rs 596 crores in 1955-56 to Rs 1,962 crores in 1972-73.

Scientific research and technological progress in our country has also advanced far beyond the preliminary stages. We have now a large pool of scientific talent and have also made a beginning in exporting technology and know-how to other developing countries. Recently, we have also embarked in the spheres of experimentation in nuclear fission and space exploration and research for peaceful purposes.

It is true that the rate of growth of our economy has been lagging behind our needs. However, it has to be borne in mind that at the time of our gaining independence we started the process of our economic development nearly from the scratch. Further, our economy is predominantly based on agriculture which has been traditionally exposed to the vagaries of nature, although considerable progress has been achieved in recent times in the creation and extension of irrigation facilities and modernisation of agricultural operations.

strain on economy

In recent times, we have also been forced to fight wars and faced with a heavy influx of refugees across our borders, on several occasions, which have cast a severe strain on our economy. Presently, we are facing an energy crisis of global dimensions which, together with short-falls in power generation and agricultural production due to prolonged droughts in several regions in the country and certain other circumstances, have adversely affected the volume of our industrial production. In the context of these handicaps and adverse developments, the progress achieved in our country in the sphere of economic development since our independence cannot but be regarded to be remarkable by any objective standard of appraisal.

Before we consider the basic features of the system of direct taxes in our country, it is desirable to have a broad view of the modern economic concepts of the role of governmental fiscal measures comprising taxation as well as public expenditure. The classical economists of the *laissez-faire* days used to idealise the freedom of private enterprise, advocated the unrestricted operation of the forces of demand and supply and favoured a passive role of the government limited virtually to the preservation of peace and freedom. According to them the best government was one which governed the least. Their view was that governmental evpenditure and taxation should be maintained at minimal levels; the budget should be balanced every year: and that public debt was an evil which should be avoided.

wasteful exploitation

In the setting of the industrial revolution and colonial exploitation, the *laissez faire* economics paid rich dividends to western countries which made an early start in industrialisation. However, this process of industrial development was also accompained by a wasteful exploitation of internal resources, stifling of competition by monopolistic combines and extremes of riches and poverty. The economies of such countries were also exposed to the rigours of the business cycles of boom and recession. Carlyle, therefore, characterised the *laissez-faire* economy as "anarchy plus the constable". We have now travelled very far from the *laissez faire* days.

Modern economic thinking about the role and objectives of governmental fiscal measures is radically different from the concepts of the classical economists. In its modern concept, the aim of the fiscal policy of the government, comprising taxation as well as public expenditure, is to stabilise the economy by curbing the operation of factors leading towards a recesssion or undue inflation and promoting the growth of the economy in conditions of high-employment. Emphasis is now laid on adopting fiscal measures that would be conducive to the healthy growth of the economy instead of on balancing the annual budget of the government.

Governments now resort to a judicious combination of taxation, monetary regulation and public expenditure to achieve the aim of economic stability. In progressive countries, governments mobilise financial resources of the society to meet the increasing needs of the developmental expenditure, inter alia, by resorting to a considerably high level of taxation of incom inheritances, property, services and co modities on a wide base. Personal incom are taxed in most of the industrialis countries at progressive scales to achie a greater incidence of tax on higher i comes with a view to an adjustment the burden of taxation with the taxab capacity, curbing inflationary tendenci in the economy, bringing about a r distribution of income and wealth a raising adequate financial resources meet expenditure for the administratio defence, economic development a social welfare of the country in t context of the expanding responsibiliti of a modern welfare state in the spheres.

Taxation is now recognised to be a automatic stabiliser of the economy. I times of a fall in the level of saving investments and price-levels, there is a automatic cut-back in the level of tax ation which, together with increase public expenditure and liberalisation credit by the government, helps to reviv the economy. Conversely, in times surging inflation, there is a built-in ri in receipts of taxation at higher leve of incomes, wealth and consumer spe ding, thereby mopping up a considerab part of the extra monetary incomes whic exercise a pressure on prices.

impact on economy

The mobilisation of financial resource on a large scale for public expenditur by resorting to a high level of taxatio has a large impact on the economy a it reduces private disposable income and, to that extent, brings about a trans fer of resources from private individual to the pool of public expenditure an investment. However, the level of taxa tion that may be imposed by a govern ment is subject to inherent limits arisin from considerations of maintaining dispos able incomes at adequate economi levels and leaving ample scope for per sonal savings and investments in orde to maintain a steady growth in th economy.

The structure of taxation has, there fore, to be so designed and its level s adjusted that incentives to the individua for work, savings and investments ar not impaired, personal hardship an inequities are avoided and the flow o investment in industry, trade and com merce is channelled in directions whic further the socio-economic objective of the society. Tax procedures an

chanisms have also to be so designed framed that these facilitate and en-rage voluntary compliance by tax-ers with the tax laws and mini-se the cost of collection while dis-raging tax avoidance and evasion.

As the modes and incidence of a high-red system of taxation have a sigin-ant impact on individual and corporate cisions in the spheres of finances and vestment, taxation is now well-recog-sed to be a multi-purpose and sophis-ated instrument for the achievement socio-economic objectives of the vernment. This instrumentation is hieved by a variety of adjustments in e tax-structure.

Such adjustments usually take the rm of exceptions, exemptions, special eductions, graduation of tax rates, tax-edits and rebates for relieving hardship, couraging savings and investments and romoting economic activities in priority reas, on the one hand, and restrictions ver the deduction of certain types of ex-enditure, progressive escalation of the ates of taxation or selective additional vies for discouraging lavish or waste-l expenditure, curbing inflationary ten-encies in the economy and channelling vestment in socially desirable areas, on ne other. Our system of direct taxation corporates a large variety of such tax centives and disincentives to achieve ne socio-economic aims of the govern-nent to which I shall advert later on.

role of law

Roscoe Pound, the eminent jurist, who has been the chief modern exponent of the sociological concept of jurispru-dence, has propounded the thesis that law is a mode and instrument of social engineering which regulates social relations in politically organised societies by har-monising and synthesising private in-terests, public interests and social interests in the light of the jural postulates of civilised society. What Roscoe Pound has said about law in general is perhaps more true of tax laws which have a direct and far-reaching impact on the socio-economic fabric of society in a variety of ways.

As I have stated before, the tax struc-ture and system in any country are designed in the light of the prevailing economic conditions and the socio-economic objectives of the society. In our country, the aim of the government is to achieve a high level of economic development in a socialistic pattern of society. As ours is a developing country, the broad objective of our taxation policy, in terms of the resolution adopted by Parliament in December, 1954, is to achieve resource mobilisation for deve-lopmental purposes, i.e., to increase the tempo of economic activities, in general, and industrial development, in particular. This has to be achieved within the frame-work of socio-economic objectives of the nation which have been eloquently ex-pressed in the Directive Principles of State Policy enshrined in our Constitu-tion,

directive principles

Thus, Article 38 of the Constitution enjoins on the state to strive to promote a social order in which justice, social, economic and political, shall inform all the institutions of the national life. Arti-cle 39 of the Constitution states, *inter alia*, that the state shall direct its policy towards securing that the citizens have the right to an adequate means of liveli-hood, that the ownership and control of the material resources of the community are so distributed as best to subserve the common good: and that the opera-tion of the economic system does not result in the concentration of wealth and means of production to the common detriment. In the light of these objec-tives, the principal goals of our planning are to organise an efficient exploitation of the resources of the country; to secure an increase in production; and to bring about a rapid improvement in the standard of living of the people through measures which will promote equality and justice and benefit the weaker and less previleged classes.

The pursuit of these long-term social and economic objectives, in conjuction with short-term objectives of mobilising additional financial resources to meet the emergency needs of the country in parti-cular situations, has exercised a determi-native influence in the evolution of the concepts and shaping of the structure. coverage, incidence, modes and proce-dures of our direct taxes since our independence. Our direct taxes, their structure and procedures have been inves-tigated and reviewed since then in the light of the socio-economic objectives of the government by several commissions and committees of distinguished economists, jurists, legislators, tax-experts and administrators on several occasions from time to time, and very recently by the Wanchoo Committee and their recom-mendations have made valuable contribu-tions to the growth of our system of direct taxes in their present form.

In our pre-independence days, there was only one direct tax namely, income-tax, as structured by the Indian Income-tax Act of 1922 and replaced with effect from April 1, 1962 by the Income-tax Act of 1961, formulated and codified on the basis of the recommenda-tions of the Law Commission and the Tyagi Committee and contain-ing 298 sections and four schedules, and regulated in its procedures by a new body of Income-tax Rules. Since then, the new Income-tax Act has also undergone extensive and far-reaching changes through a series of important amendments to its provisions, addition of a large number of new provisions and omission of several of the older ones, in the interests of simplification and ratio-nalisation and to adjust the tax structure to the dynamic needs of our developing economy.

wide coverage

Presently, this Act has 418 sections and 8 schedules, and its procedures are regulated by a large body of rules, notifi-cations and instructions. We have now a comprehensive and integrated system of direct taxes in which income-tax is supplemented and strengthened by an annual wealth-tax on the wealth of affluent individuals and joint Hindu un-divided families; a gift-tax on gifts made during the year in excess of a specified tax-free limit; and estate duty on the value of the property passing on the death of an individual in excess of the specified exemption limit. The coverage of income-tax now extends beyond income in its traditional concept of compensation for work, profits from a business or pro-fession and the yield from property and investments, and subsumes, capital gains sub-divided in the short-term and long-term categories for the proposes of appropriate tax treatment, as also casual and non-recurring incomes including winnings from lotteries and cross-word puzzles in excess of a speci-fied tax-free limit.

Agricultural income still continues to be exempt from the national income-tax as before because it is a state subject and outside the sphere of legislation by Parliament. However, as agricultural income also adds to the taxable capacity of the recipient like any other category of income, it is now taken into ac-

count for determining the rate at which tax is chargeable on non-agricultural income, in the interests of social justice. The ambit of wealth-tax has also been enlarged since 1970-71 to include the value of agricultural lands in excess of a specified exemption limit, which presently is Rs 1,50,000, taken together the value of investments in specified media which are also exempt from wealth-tax, such as bank deposits, shares in Indian companies, units in the Unit Trust of India, etc.

The objectives underlying the levy of wealth-tax, namely, to reduce undue disparities in wealth and to induce a more productive utilisation of property, have been further advanced by imposing on the value of urban immovable property used for purposes other than one's business or profession, an additional wealth-tax over and above the ordinary wealth-tax, on the value of such property in excess of Rs 5,00,000. Under the present rate structure of wealth-tax, including additional wealth-tax on the value of urban immovable property, the incidence of wealth-tax on a very large amount of wealth taken together with the incidence of income-tax on the income yielded by the wealth, equals the income, and thereafter, exceeds it at a certain point, which depends on the size and composition of the wealth and the productiveness of its employment.

graded rates

The direct taxes in our country on personal incomes, wealth, gifts and property devolving on the death of its owner are levied at graded rates rising on higher slabs of income or wealth with a fairly high progression, subject to a variety of substantial exemptions, deductions, rebates and reliefs which have been provided by way of economic incentives or as measures for avoiding or relieving hardship. This broad structural outline of our present system of direct taxes brings out some of its salient aspects, namely, its comprehensive coverage which is designed to adjust the incidence of taxation to the taxable capacity besides reducing the avenues for tax evasion or avoidance, and the higher incidence of taxation on higher slabs of incomes or wealth which serves to reduce undue disparities in incomes and wealth and enables an adequate resource-mobilisation for the economic and social welfare of the people.

Another very important feature of the evolution of our system of taxation of income and wealth since our independence is the enactment of a large body and variety of provisions designed to facilitate and stimulate the economic growth of the country. These provisions may be sub-divided into two broad categories, of which the first one consists of general and also as selective tax concessions of substantial magnitude aimed at facilitating personal saving and investments, promoting the growth of our agro-industrial base and activating our internal as well as foreign trade, and the second one of certain levies and disallowances for mopping up a part of high level profits in the corporate sector and unearned increments in personal wealth, channelling investment in more productive media and discouraging lavish and wasteful expenditure in trade and industry.

long-term savings

In respect of personal long-term savings in the media of the life insurance, provident funds, approved superannuation funds, 10-year or 15-year cumulative time deposits in postal savings banks, the law provides for the deduction of a specified percentage of such savings within the limit of 30 per cent of the gross total income of an individual subject to a monetary ceiling of Rs 20,000 for the year. Under the Finance Bill of 1975, the percentages of deduction of such savings are proposed to be raised to 100 per cent of the first Rs 4,000, 50 per cent of the next Rs 6,000 and 40 per cent of the balance.

Individuals and Hindu undivided families deriving income from investments in specified media such as shares in Indian companies, units in Unit Trust of India and bank deposits, etc., are also entitled to a deducation upto Rs 3,000 of such income during the year in the computation of taxable income. As these deductions have the effect of reducing the upper-most slab of the taxable income, the resultant tax-saving is very substantial. Investments in these media together with certain other categories of investments are also exempt from wealth-tax upto a cumulative limit of Rs 1,50,000.

The income yielded by and the value of investments upto the prescribed limits in small saving securities of the government, deposits in postal savings banks and fixed deposits with the central government are also wholly exempt from income-tax and wealth tax. To enc rage house-building, the law provi inter alia, for a deduction in the com tation of income from house prop for the interest payable on house-build loans and a 5-year tax holiday for ne constructed houses up to Rs 1,200 of annual value of each tenement, besi an exemption from wealth-tax in resp of a self-occupied or let-out house p perty upto Rs 1,00,000 in value.

tax incentives

In the area of industries, our dir taxes' laws provide wide-ranging a massive tax-incentives designed to mo vate and assist the development various sectors of our economy in l with the objects and prorities of natio economic planning. Of these incenti the main ones have the objectives facilitating the inflow of capital, teachni know-how and skills from foreign sourc in sphisticated fields of industry in o country; promoting the establishment new industries and the modernisatio expansion and diversification of existi ones, particularly in the core or priori sectors; enabling our industry to ma substantial contributions to scienti research and the development of ne industrial processes, techniques a engineering skills; and encouraging t expansion of our foreign trade a tourist traffic from abroad to activate o economy and augment our foreign e change resources in order to mainta essential imports of capital goods, indu trial raw materials, petroleum and oth materials and equipment.

Basically, these incentives have been pr vided in the form of amortisation of allowances for capital expenditure of diff rent categories, in industry, in a liber measure; special deductions in respe of the profits of new industries on pri rity industries or industries set up backward areas or of certain categories income, subject to certain limits a conditions; special exemptions from ta of the profits of certain industries whos development has so far been substantiall lagging behind the required scale or sta dard; selective tax credits intended t generate internal resources for indu trial development and a weighted dedu ction for certain categories of expend ture which is essential but involves heav costs and brings benefits only in th long-term or otherwise needs to be suppo ted by additional tax savings.

In regard to capital expenditure o

hinery and plant and other depre-le assets used in industry, the in-ne-tax law provides for the grant of reciation allowances at a liberal scale ether with additional allowances for ible or triple shift operation of plant machinery in order to encourage er utilisation of installed capacity. In dition, an accelerated depreciation owance is granted by way of an initial owance at a specified percentage of cost of newly erected buildings used welfare of workers, or as a hotel proved by the government and owned an Indian company; new ships of craft; and new plant and machinery stalled for the generation or distribu-n of electricity or any other form of wer, or the manufacture or production articles or things relating to specified iority industries.

pecial deductions

Over and above the allowances for epreciation, our industry enjoyed for a ng period the benefit of a special eduction by way of development re-ate at a specified percentage of the ost of new ships acquired and machi-ery and plant installed for the pur-oses of business. In respect of new lant and machinery installed in busi-esses, the quantum of development ebate varied from the general rate of 5 or 20 per cent to the special rate f 35 per cent in the case of specified riority industries including approved otels owned by Indian companies, nd machinery and plant used for the cientific research.

In respect of ships, the rate of deve-opment rebate has been as high as 40 per cent of the cost thereof. The allow-ance for development rebate, which has operated as a major tax incentive to our industry, has been discontinued with effect from May 31, 1974, subject to certain exceptions in certain cases, but has been replaced by the provisions for grant of initial depreciation allow-ance over a wide area of priority indus-tries referred to in the Ninth Schedule to the Income-tax Act. There are also several other important provisions in our income-tax law for the allowance or amortisation of certain other cate-gories of capital expenditure.

Thus, the whole of the capital ex-penditure on buildings and equipment used for the purposes of scientific re-search is allowable as a deduction in respect of the year in which it is incurred, or where such capital expendi-ture is incurred within the three years prior to the commencement of the busi-ness, then the year in which the busi-ness commences. The law also allows amortization against the profits of busi-ness, over a specified period of years, of the whole of the capital expenditure on the aquisition of patent rights and copy rights; preliminary expenditure in-curred by an Indian company on the preparation of a feasibility or project report, conducting market surveys, issue of capital or debentures for public subscription, etc., either before the com-mencement of its business or thereafter in connection with the setting up of a new industrial undertaking or the extension of an existing one upto an amount, limited to 2½ per cent of the cost of the project or the capital employed in the business of the company; and expen-diture incurred by an Indian company or any other resident assessee on the prospecting for and production of speci-fied mineral or group of minerals inclu-ding that incurred within a period of four years prior to the commencement of commercial production, even though any part of such expenditure has been infructuous.

infructuous expenditure

In regard to prospecting, exploration and developmental expenditure for the production of mineral oil in a business in which the central government is associated with any person under an agreement in this behalf, the govern-ment is enabled under the law to pro-vide under such agreements for the allowance of infructuous or abortive exploration expenditure incurred before the beginning of commercial produc-tion, expenditure on drilling and ex-ploration activities whether incurred be-fore or after the commencement of commercial production and also for the grant of an allowance for the depletion of mineral oil from the year in which commercial production has begun.

Amongst the provisions for special tax exemption of business profits, the main one is the '5-year tax holiday'. This is a tax-exemption, for a period of five years, of the profits derived from a newly set-up manufacturing industry, cold storage plant or a new unit there-of or the operation by an Indian com-pany of a newly acquired ship or the business of a hotel owned by an Indian company and approved by the central government, to the extent of six per cent of the capital employed in such undertaking, ship or hotel. Any deficiency in the profit from the said six per cent amount is allowed to be carried forward and set off against the profits the next year, and so on, upto the eighth year from the initial year of production or operation.

Dividends distributed by companies, in so far as these are attributable to their 5-year tax holiday profits have also enjoyed exemption from tax in the hands of the recipients. The term of operation of the 5-year tax holiday pro-vision, which, at present, applied to undertakings going into production or commencing operation at any time be-fore April 1, 1976, is now sought to be extended by the Finance Bill of 1975 for a further period of five years. Under the Bill, the corresponding tax exemption in respect of dividends from companies attributable to their 5-year tax holiday profits is sought to be discontinued for administative reasons, but to compen-sate the shareholders, the quantum of the tax holiday profits in the case of a company is proposed to be increas-ed from six per cent to 7.5 per cent of the capital employed in new industrial undertakings, ship or hotel owned by the company.

other exemptions

Other instances of special tax exemp-tions or deductions under the law for the development of our economy are: (i) the exemption of non-residents from tax on interest receivable by them from industrial undertakings in India on lend-ings to them under contracts approv-ed by the central government, or for providing credit facilities to such indus-trial undertakings for purchasing capi-tal, plant and machinery or raw mate-rial from foreign sources, where the rate of such interest has been approv-ed by the government; (ii) tax exemp-tion of foreign technicians employed under an approved contract of service in any business carried on in India or in scientific research institu-tions, on their salary incomes upto a specified period; (iii) tax exemption of the whole of the income of approved scientific research associations: (iv) de-duction, in the case of an Indian com-pany, of 40 per cent of its income by way of royalty, commision or fees, etc. received by it from any person carrying on a business in India in consideration for the provision of technical know-how or rendering technical services under

agreements approved by the Board; and (v) tax exemption of Indian companies in respect of dividends royalties, technical services, fees, etc., received from a foreign enterprise where such income arises from the provision by the Indian company of technical know-how or technical services to the foreign enterprises, under an agreement approved by the Board.

Indian companies engaged in specified priority industries were entitled to a deduction of a certain percentage of their profits in the computation of their taxable income, but the provision in this behalf was discontinued with effect from April 1, 1973. Certain other classes of incomes which have been enjoying tax exemption or a concessional tax treatment are incomes from poultry and dairy farming, the book publishing industry in India and banking and other specified business activities carried on by cooperative societies.

As I have mentioned earlier, scientific research and development and export promotion are some of the principal spheres in which our tax laws provide special incentives. Thus for the promotion of scientific research, deductions are allowable in the computation of business-income for the entire amount of capital as well as revenue expenditure incurred for this purpose, including contributions made to approved scientific research associations or other educational institutions for pursuing scientific research, without any limits over such deductions.

admissible deductions

Revenue expenditure on scientific research, including salaries of scientific or technical personnel or on the purchase of material inputs in scientific research within a period of three years before the commencement of the business is also admissible as a deduction in the year in which the business commences. Besides, where a payment is made to an approved scientific research association or educational institution for pursuing scientific research under a programme approved by the prescribed authority, the payer is entitled to a weighted deduction of 1⅓rd times the amount of such payment in the computation of his business income.

As regards export promotion, the law provides for a weighted deduction in respect of expenditure under specified heads incurred by a taxpayer for the exploration, development and servicing of foreign markets, such as advertisement and publicity outside India, survey of foreign markets, maintenance of a branch, office or agency abroad, foreign travelling, preparation and submission of tenders, etc. The quantum of the weighted deduction in the case of domestic companies is 1½ times of such expenditure, and in other cases, it is 1⅓ times thereof.

changing pattern

I have outlined here only the important ones of the tax incentives provided by our tax laws for the purposes of promoting industrial development in particular, and the growth of economy of our country, in general. The patterns, concepts and the directions of these tax incentives have been inevitably undergoing changes from time to time in the context of the changing complexion of our country's economy and the need for utilisation of our scarce revenue resources to the best advantage of the economy. The developmental incentives in our tax laws have provided a powerful impulse to the growth of our economy during the last two decades and their beneficial effect is written large on the balance sheets of our industrial concerns in the form of substantial reserves for development rebate, large provisions for depreciation allowances, growing investment in the fixed assets and reduced provisions for taxation. Our tax laws are now oriented towards economic growth and the achievement of a socialistic pattern of society.

Often, a criticism is voiced in several quarters that ours is the highest taxed country in the world. A comparison of the rate schedules under our tax laws with those under the tax laws of industrialised western countries, in absolute terms. may support such a criticism. In fact, the maximum marginal rate of income-tax including surcharge under our tax schedules has been brought down recently from 97.75 per cent on personal incomes exceeding Rs 2,00,000 to 77 per cent on such incomes exceeding Rs 70,000. The rates of tax on several intermediary slabs of income have also been reduced and the limit of income exempt from tax has been increased from Rs 5,000 to Rs 6,000. These reductions have been made in the light of the recommendations of the Wanchoo Committee, in view of the position that high rates of tax, particularly on incomes in the upper brackets, are apt to induce tax evasion besides impairing t desire to work and invest more.

However, international compariso of the incidence of taxation merely wi reference to tax schedules, in absolu terms, are highly misleading. This is b cause the comparative incidence of t can be correctly ascertained only aft taking into account the exemption deductions rebates and reliefs allowed u der the law in computing taxable incom and determining the tax liability. As o tax laws provide a large number of such e emptions, deductions, rebates and relie over a wide area, the effective inciden of tax in our country is much less tha what may be inferred from a mere stud of the tax-tables. Apart from this, o has to consider the totality of the nation and regional tax systems in any countr to form an idea of the burden of a part cular type of tax.

Thus, unlike in countries like US where the federal income-tax is supple mented by income-tax levied sepa rately by the states, income-tax is char ged in our country only at the nationa level, and agricultural incomes are tax able only by the states. It is also to b borne in mind that the tax-structure in country is shaped in light of a variety o economic and social factors including th general level and distribution of income and wealth, the needs for mobilisation o resources and the magnitude of the visi ble tax base from which tax revenues ar generated.

agricultural incomes

As stated before, the incomes generated in our agricultural sector are outside the sphere of our national income-tax. Taxable incomes arise over a very small area of our vast population and their distribution is also highly skewed. The total number of our income-tax payers at about 3.6 million is less than 0.7 per cent of our population, and the total number of the wealth-tax payers at about 2,25,000, i.e. 0.4 per cent of the population are a miniscule minority. The bulk of the income-tax payers in our country, about 80 per cent of the total number, have incomes ranging up to Rs 15,000 only. Amongst various classes of taxpayers in our country, companies which are numerically small, though a very important class of taxpayers, have been contributing as much as about 48 per cent of our total revenues from income taxation. In this background, income-tax and wealth-tax payers at the middle

l higher levels of income and wealth a privileged section of our society and e, therefore, a correspondingly greater ial obligation to contribute to the ional tax revenues. All these factors e to be kept in view in evaluating the ucture of our direct taxes.

While the base of our direct taxes is y small in relation to our population cause of economic, historical and nstitutional factors, it has been further ded by widespread tax-evasion. As r prime minister stated in a speech few years ago, the number of persons our country having taxable incomes is all; the number of such persons who y taxes is smaller; and of these, the mber of persons who pay taxes on the l amount of their taxable incomes is aller still. According to the Wanchoo ommittee, the incomes on which taxes ere evaded in 1968-69 and the evaded x thereon would be of the order of Rs 400 crores and Rs 470 crores, res- ectively. Whatever may be the correct osition in the matter, it is an undeni- ble fact that the extent of tax-evasion our country is of a very large order.

Tax-evasion is an evil which has been apping the health, vitality and growth f our country. It has been depriving ur national exchequer of a part of the uch-needed tax revenues, thereby asting a greater burden of taxation on w-abiding citizens. Besides, the induc- on of large amounts of untaxed income n our economy has been generating nflationary pressures and resulting in oarding, profiteering and lavish and vasteful expenditure, causing severe ardship to the common man.

evil of tax evasion

In recent years, the government has aken a series of legislative as well as dministrative measures to curb the evil of tax evasion. In this behalf, the law has been amended from time to time to enlarge the powers of the tax adminis- tration for search, seizure and survey to detect tax-evaslon. The scale of penalties leviable for wilful violation of the law and tax-frauds has also been made stiffer, and the law now provides for launching prosecution and punish- ment on conviction by court in respect of several tax offences, such as wilful default in furnishing returns of income in due time, wilful default, non-comp- liance with statutory notices requiring production of accounts or documents, making of false statements in verifications in the returns of income and wealth or delivery of false statements or accounts etc.

To penalise tax evasion through an understatement of the consideration received on the sale or exchange of an immovable property, our income-tax law now empowers the government to acquire such property where it has been transferred for an apparent consideration significantly less than the fair market value. By way of a complementary measure for unearthing undeclared incomes and wealth, the law enables the waiver or reduction of the penalties imposable for failure to file return of incomes or wealth in due time or for concealment of incomes or wealth, and also provides for immunity from prosecution, in cases where a taxpayer voluntarily files such returns before the issue of any statutory notice in this behalf or makes a voluntary disclosure of his concealed income and wealth and fulfils other conditions in the matter laid down in the relevant provisions. The Income-tax Act is now further proposed to be amended by a Bill formulated in the light of recommendations of the Wanchoo Committee in order to plug loopholes for tax avoidance and tighten machinery for tackling tax evasion.

administrative measures

The administrative measures adopted for curbing the evil of tax evasion include the setting up of special circles or units for investigating cases involving concealment of income and wealth on a large scale; intensification of search, seizure and survey operations; and launching of prosecutions where tax-frauds are established. It is hardly necessary to say that the success of these measures in curbing the evil of tax evasion depends to a very large extent on the willing cooperation of law-abiding citizens.

In the field of tax procedures and tax administration the aims of the government are to simplify and rationalise the provisions in the tax laws relating to assessments and collection of taxes, to speed up the disposal of assessments and refund claims, and to facilitate and encourage voluntary compliance by taxpayers with the requirements of the law. In recent times, a series of changes of far-reaching importance have been made in our law in these directions, such as merger of sur-tax with income-tax; discontinuance of the old system of taxing non-residents on their incomes in India at the rate applicable to their total world income, replacement of tax rebates, calculated at average rates of tax, by a straight deduction of a specified percentage of the qualifying incomes, saving of expenditure; and prescriptions of self-servicing tax-tables.

reformed procedures

The old assessment procedure has been reformed to enable the finalisation of the bulk of the assessments of taxpayers in the lower and middle-income brackets on the basis of the returns of income and accompanying documents filed by them subject to correction of mistakes and disallowances and allowances which are obviously warranted by the information contained in such returns and documents without callingthe taxpayer or requiring him to produce his accounts. This is a major step taken to enable speedy disposal of assessments. to avoid inconveniencs to taxpayers, and to generate a spirit of voluntary compliance with the tax laws, besides releasing the limited man-power resources of the department for the scrutiny of accounts and investigation of concealment of income or wealth in bigger cases. The time-limit for disposal of assessments in original proceedings and for filing refund claims has also been reduced from four to two years.

In order to facilitate and expedite the collection of revenue, the scope of deduction of tax at source has been extended to cover interest credited or paid to resident persons in respect of their lendings or deposits as well as payment to contractors, payment of insurance commission, etc., subject to certain exceptions. The coverage of advance tax payment has also been enlarged by requiring taxpayers to pay on their own estimate, a higher amount of advance tax than that demanded from them if so warranted by virtue of a substantial increase in their estimated income of the current year. Where the tax payable on the returned income, as reduced by the tax deducted at source and advance tax payments, exceeds Rs 500, the taxpayer is required to pay it on self-assessment within 30 days of filing the return.

These procedural changes together with the adoption of improved methods of planning and scheduling the work and better administrative control and supervision, have contributed to a significant spurt in the volume of

disposal of assessments and collection of revenue. Thus, during the financial year 1974-75, the number of income tax assessments disposed of at about Rs 38.37 lakhs exceeded the disposal during the earlier financial year by about Rs 4,00,000. Similarly, the net collection of income-tax and corporation tax during 1974-75 at about Rs 1,508 crores exceeded the net collection during the earlier financial year by about Rs 200 crores.

It is the aim and endeavour of the tax administration to expedite and maximise the disposal of assessments and collection of revenue, speed up the grant of refunds and to streamline and improve the procedures of work so to provide a just and efficient serv to taxpayers. May I say that success of this endeavour depends, i very large measure, o 1 a greater awa ness on the part of taxpayers of th rights and obligations under the law, and voluntary and timely complian with their requirements?

Promotional role of development banks

Dr R. M. Srivastava

IN CONSONANCE with the growing concern of the government of India for fostering growth in the backward regions of the country, development banks (IFC, ICICI and IDBI) have of late resorted to a liberal lending policy with a view to pumping sizeable amounts of assistance to notified industrially less developed areas. However, the scheme of concessional financing did not have the desired results and development banking institutions could not direct sizeable resources to backward pockets of the economy. This was due to the fact that these institutions could not receive sufficient loan applications supported by technically and financially viable schemes. This probably is explained by, on the one hand, a dearth of experienced and talented entrepreneurs in the underdeveloped regions and, on the other, general inability of outside entrepreneurs including big industrialists to start industries in these regions.

inadequate facilities

This is, in the main, due to inadequacy of infrastructure facilities, shortages of inputs and required skills and costs involved in identification and implementation of projects. It has, therefore, been increasingly realised in the recent past that if the economy of the backward areas is to be salvaged, a strong institutional machinery should be established to undertake a search for project ideas, preparation of feasibility and project reports, provision of consultancy services guidance relating to government policies and regulations and the package of concessional finances.

Development banks since 1970 assumed the additional role of promoting projects in industrially backward areas, besides carrying out regular operations of financial assistance. As a first step to their promotional efforts, these banks, under the aegis of the IDBI, carried out growth potential surveys of all the backward states and identified about 207 project ideas involving a total project cost of Rs 1160.38 crores. However, if the actual cost of the projects implemented is compared with the cost estimated for them, total project cost should not be less than Rs 2500 crores.

IDBI aid

The IDBI has rendered technical and financial assistance to state governments or state financial corporations for undertaking industrial potential surveys of the backward areas of the relatively developed states of Maharashtra, Gujarat, Kerala, Karnataka, Tamil Nadu, and Andhra Pradesh. As a part of their promotional efforts the development banks have jointly organised technical consultancy services in Kerala, north-eastern regions and Bihar to provide technical assistance to prospective entrepreneurs in project formulation, implementation and operation. In addition, they have announced a package of financial assistance for carrying out detailed feasibility studies of projects and their operations.

Even after five years of promotional effort of these financial institutions no perceptible improvement has been noticed in backward areas. So far only 48 projects have either been implemented or are under implementation. No headway has been made in respect of the project possibilities identified in backward pockets of the advanced states.

Considering the magnitude and seriousness of the problem of development backward areas that require continuc and concerted efforts, expertise, knowled and experience and huge capital whi are beyond the means and competer of private sector entrepreneurs a state level development corporation it is all the more urgent th the development banks should pl a catalytic role in promoting a spurring sound industrial projects. Th they should not only limit their role identification of projects ideas a commissioning of preliminary feasibil studies but should go ahead undertake detailed investigation into t viability of the projects, implemen these projects and manage them. Ho ever, the basic objective should be hand over these enterprises to indepe dent private managements at the earlie possible opportunity or to associa private businessmen at the early stag of implementation of the projects.

viable projects

For this purpose it is necessary to r organise the organisational structure the IDBI, IFCI and ICICI by setting up separate cell for development and proje promotion. This cell would confine itse to the task of identifying viable proje ideas and translating these ideas into co crete projects and managing them effe tively. The immediate task of this divisio should be to undertake detailed investiga tion into the feasibility of the proje ideas which have already been identifie and operate them. All this would requir expert knowledge for project preparation technical and financial planning an management of projects. The develop ment banks have to equip their promotio cells with specialists in various disciplines

ay not be out of place to mention that existing organisational set-up of the ncial institutions with skeleton technistaff is not enough even to identify pro- ideas and carry out *prima facie* feasity studies.

'o intensify the promotional activities the relatively less advanced tes, it would be useful if the velopment banks play lead role specified areas. The backward tricts should be grouped region-wise d each region allotted to a perticular velopment bank. Thus, the IDBI could asked to play the promotional role in uthern and western regions, while the 'CI and ICICI be allotted northern and stern regions respectively. A lead institution would assume prime responsibility r preparing preliminary feasibility stuies, implementing the worthwhile procts and managing them. Of course e lead institution could associate the ate governments and state level deelopment corporations in undertaking his task. The lead bank should endeavour imultaneously to remove bottlenecks vhich at present hamper industrialisation of backward regions. In collaboration vith the state governments and SFCs the ead banks should develop infrastructure acilities in the backward areas of the region.

entrepreneurial talent

For fostering growth of smaller projects in less developed states, greater reliance will have to be placed on development of local entrepreneurial talents. An entrepreneurship development programme will have to be organised. Entrepreneurship education has to be a continuous process. The lead institutions in collaboration with state level agencies will have to establish entrepreneurial training institutes in important districts of the region to provide training facilities to persons belonging to the area. Suitable machinery has to be instituted to provide consultancy services to smaller entrepreneurs and to help them in securing licences for the establishment of enterprises and dealing with day to day problems. This body could arrange financial assistance from different institutions. This would ease the task of local entrepreneurs who have neither the know-how nor the means to set up projects.

Here is everyman's ABC of inflation

London

Jossleyn Hennessy

In order to keep you informed of important developments in the OECD countries and in other key world centres I receive a flow of around thirty reports across my desk per month. Of outstanding authority are those of the (British) Institute of Economic Affairs, the Deutsches Institut fur Wirtschaftsforschung (German Institute of Economic Investigation). The *Economist* Intelligence Unit (obtainable at rupee prices in India form J.A. Shah, 67 Marine Drive, Bombay 20), Barclay's Bank Group Economic Intelligence Unit, the publications of the OECD and those of the Australian Institute of Public Affairs (289 Flinders Lane, Melbourne, 3000).

From the very nature of their publi-

WINDOW ON THE WORLD

cations it is not often that any one of these institutions publishes a best-seller that runs into tens of thousands of copies, but that is just what the Australian Institute of Public Affairs has achieved with its pamphlet entitled *Inflation*. which has not only sold over 200,000 copies, but has beenre produced in two leading Australian newspapers and in many company house journals.

The pamphlet owes its success to the clarity with which it explains, so that the ordinary man in the street can understand it, just what inflation is, why it threatens living standards and the very fabric of society itself, and to what extent each of us may be contributing to keep inflation building up.

The I.P.A. naturally cites Australian facts and figures, but because the conclusions are of universal application I have obtained the I.P.A.'s permission—readily ond generously granted—to summarise its pamphlet here for the benefit of Indian readers.

All of us are worried about inflation. Prices are rising alarmingly. Every month our dollar buys less. The value of the savings we have put into a bank account or a life insurance policy is diminishing rapidly.

Today a $ will only buy as much as 85 cents did last year and little more than 60 cents would buy in 1967.

All this makes us uncertain, even fearful about the future.

But inflation is not an Act of God. It is a result of our own acts. If we have the will, we can stop it. We would all be better off if we did.

I

Who is to Blame?

It is useless to blame any one section of the community for inflation. To some extent we are all to blame.

Rising prices are caused by attempts by the people as a whole to get a higher standard of living than the economy can afford.

These attempts take to forms:

(a) Demands for more and more money—for higher wages or salaries or fees.

(b) Demands that our governments —federal, state or local—provide with better roads, hospitals, scho public transport, or higher pensions. creased child endowment and a wh lot of other things.

Taking the nation as a whole, standard of living can obviously be higher than the quantity of goods services that we all produce. can't distribute more cake than you got.

But if our demands add up to more they have been adding up to m more—than the goods and services wh we produce, some of these deman must go unsatisfied. Prices will rise, a the dollar will buy less.

living beyond means

Inflation, then, results from simple fact that we are trying live beyond our means. Our ambitio are running ahead of our producti performance.

To a small extent, inflation in Au tralia has been aggravated by inflati in other countries. This has meant th our imports have cost more. Also pr ces of food in Australia were affected 1973 by world shortages.

But the main responsibility as in other countries suffering from inflatio is our's.

Inflation is a self-inflicted evil.

In 1973, wage and salary earner as a whole, got increases averagi about 17 per cent per head. But t goods and services, on which they spe that extra 17 per cent, increased by on five per cent per head.

It is clear that standards of living (c average) could improve by no more tha five per cent, since this was the amou of the increase in the goods and se vices available for purchase—in oth words, in the size of the national cak Thus the increase in *money* incomes e ceeded the increase in *goods* by 12 pe cent. The two were brought into lin by a big rise in average price of abou 13 per cent.

The community as a whole woul

been just as well off if incomes ncreased by only five per cent. In event, prices would not have risen , if at all. We could have bought s many goods and services with a per cent rise as we did with the 17 ent. *We thus gained nothing by the 12 per cent increase since it was a away from us by the 13 per cent in prices. We got more dollars, but dollar bought less.*

n most years, the increase in goods services is quite a bit less than per cent—it averaged only about per cent a year over the years 1960 970.

Many people imagine that the bill for rge increase in wages or salaries is by employers. But if the extra cost not be covered by improved efficien- the employer must pass it on in er prices. Most employers have ly no alternative: if they do not make asonable profit, they will go out of ness, and their emyloyees will lose r jobs. So the bill is really paid not the employers, ***but by the wage and ry earners themselves.*** **They suffer their own increase.**

v profits

Profits—measured as a percentage urn on the capital invested—are ver in Australia than in most other ntries.

In India are lower still.

Figures of the former Australian mmonwealth Tariff Board show at profits (after tax) constitute, on erage, only a little over four cents in ery dollar or sales made by manufac- ring companies. Of this, dividends id to shareholders would amount little more than two cents in a ollar of sales.

To reduce profits would, therefore, ve an imperceptible effect on prices d inflation. But it would have had bad effect on the community. Com- anies would have less money to buy odern machinery and to finance new rojects: and thus to improve produc- vity, keep down costs and provide addi- ional employment.

Many people think that company rofits go, in the main, to a few rich eople. This is not so. The great part of profits is distributed widely through he community, because the big share- holders are life insurance companies and pension funds in which millions of people have an interest. Also, all big companies have tens of thousands of individual shareholders. In fact, most have more shareholders than employees. For instance, Australia's largest com- pany, Broken Hill Proprietary, in 1974 had 183,000 shareholders and 62,000 employees.

There are a few individuals—not many—who have very big holdings of shares. But two-thirds of every dollar which they receive in dividends goes to the Tax Commissioner. Also, at present share prices, the majority of sharehold- ers have lost heavily on their original investments.

II

The Government and Inflation

The second way in which we try to improve our living standards is by demanding that governments provide us with better services. We demand better roads and freeways to solve the terrible congestlon of traffic, better schools and hospitals and public trans- port, improved welfare services, sub- sidies for housing, higher pensions, in- creased assistance for families—the list is never ending.

But all these things cost money and somebody has to pay the bills. *We the people, meet the bills by paying higher taxes.*

Governments do not bother to tell us that all the money that they spend comes, in fact, out of our pockets. They do not tell us that when they are being generous they are being generous *at our expense.* So if government spend more money on services which they provide, the money can *only* come out of our pockets. There is nowwhere else it that can come from.

Thus, if governments spend more, we are left with less to spend on our perso- nal needs—less on food, less on clothes, less on furniture, less on our children, on holidays and recreation. But none of us wants to cut down on personal expendi- ture. So tax increases are followed by demands for more money to maintain our take-home pay.

Excessive government spending thus clashes with personal spending, and causes costs to rise and thus prices to rise. Costs rise because as taxes are in- creased, workers demand higher wages and salaries.

They also rise because spending by people for personal needs, and spending by governments, together exceeds the supply of goods and services. For instance if bricks and timber are not sufficient to supply the demand for both schools and homes, prices for bricks and timber will rise.

The level of government spending must therefore take account of these realities: otherwise it must seriously aggravate inflation.

To beat inflation it is clear that we, the people, must not try to insist on securing more goods and services which we produce.

Both our governments and we our- selves bear the responsibility for seeing that demands in total do not exceed total supplies. Governments should make clear that they cannot spend huge sums of money—our money—on everything from schools to roads without fuelling inflation. If inflation is to be

A suggestion to heads of departments

You heads of departments, who read *Eastern Economist*, understand what inflation means.

But do all your fellow workers?

There will be hundreds of thousands of the rank and file in offices and in factories to whom the explanation of what inflation means that the Australian Institute of Public Affairs has written out in simple non-techni- cal language, which, by special permission, Jossleyn Hennessy sum- marises in this article, will come as a revelation

Business and industrial leaders, heads of government departments, and nationalised enterprises, college professors and school teachers may think it useful to order some extra copies of this issue of *Eastern Economist* either to display this article on their notice boards or to distribute to key employees, friends or students.

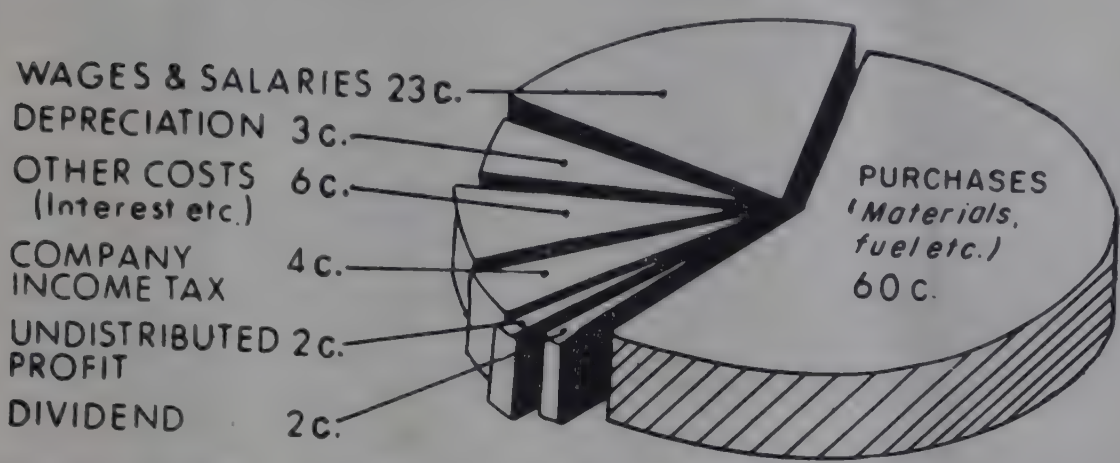
cked, we, the people must, there-, moderate the demands that we make governmknts.

Governments should also make clear t if inflation is to be overcome, the people, must curb our demands higher money wages, salaries, and fessional fees.

When we all limit the claims which make for higher money incomes to

How Australia's Industrial Cake is Divided

Where each dollar of sale goes (cents): Manufacturing



reasonable amount, we will be on way to bringing inflation under ntrol.

If our incomes rise by more than three five per cent a year (which is about increase in the goods and services ich we produce) priccs must rise. No atter whether incomes increase by 20 r cent, or even 100 per cent, our stan-rds of living still cannot improve by more than the three to five per cent which we produce.

We cannot improve our living standards just by paying ourselves more *money*. Our living standards are determined by how much we *produce* in goods and services.

Australians believe in "a fair go". But inflation gives few of us "a fair go". It robs hundreds of thousands who have set aside money for the education of their children or for their retirement.

Inflation is specially hard on poorer people and on the elderly.

As the purchasing power of our dollars continues to slide, inflation breeds frustration, discontent and uncertainty about the future. Good sense goes out of the window. Everyone screams out for more dollars. This only makes matters worse and prices rise still more rapidly.

If prices rose, on average by 10 per cent every year, this is what we in India could expect to pay in 10 year's time. (Prices are rising at present at a rate of six per cent a year*).

	Prices in	
	1975	1985
Hindustan Times	35 paise	91 paise
	Rs	Rs
Vanaspati (4 Kg)	49.11	127.38
Tea: Lipton Green Label (500 gm.)	12.10	31.38
A bicycle	350	980

* The index of wholesale prices rose by six per cent in the week-ended April 26, 1975 over the week-ended April 27, 1974.

We must surely stop this madness.

All this could eventually undermine the stability of our society and lead to a collapse of confidence and a crisis from which everyone would suffer.

Surely as sensible people we should all make up our minds, and cooperate to rid ourselves of this evil cancer.

After completing the above I came across the foliowing quotation:

"Let us keep a firm grip upon our money, for without it the whole assembly of virtues are but as blades of grass."

Who said this? The Indian philosopher Bhartrihari, who flourished in the seventh century AD, wrote it in his *Niti Sataka*.

Public cynicism over the summits

Vienna

E.B. Brook

THE PRESENT whirl of highest level politi-al activity in west Europe is being ushed through against a tight interna-ional schedule.

Late last month President Ford and his ecretary of State Henry Kissinger, shared isits to Paris, Brussels and Madrid and oth have since met the middle east in he person of President Sadat in the in-reasingly international talk point of Salzburg.

Nothing suits the Austrians better than o be once again at the centre of world diplomacy. Their Chancellor, Bruno Kreisky, a skilled diplomat of lifelong experience, a socialst and a Jew, acts as middleman between the Israelis and the Arabs with his close friendship with Sadat and visits to Tunisia and Libya where he meets other socialist national leaders.

As host city to Unido and the Atomic Energy Agency and to OPEC Vienna has the closest ties with the United Nations —whose Secretary General is a former Austrian Foreign Minister — and to the Arab oil producers. As centre of the UN's refugee organisations and traditionally an open city to all refugees, Vienna provides still a barrack lodging for Soviet Jews in transit to Israel as well as housing a number of Jews who have abandoned Israel and hopelessly wait for readmission to the Soviet Union. There could scarcely be a capital more suited to reconciliations, a group of statesmen more adapted to east-west situations in both the political and cultural sense of the phrase.

But, however suitable the background in which they work, the statesmen are at a disadvantage in being pushed for time and by approaching elections. President Ford is, in the American phrase, increasingly a lame duck as the winter of 1976 approaches when he will have to stand for reelection — or, more precisely, for election as President after having served in office as constitutional successor to Mr Nixon. As a Republican he has to work with an obstructive and, as elections approach, an increasingly hostile Democrat-majority Congress. How far President Sadat can be regarded as speaking for the very disparate Arab world is almost anybody's guess.

Both have to work against the background of a hamstrung Israeli-Arab peace conference in Geneva, a lingering European east-west conciliation conference also in Geneva, an even more hamstrung arms limitations east-west discussion in Vienna and insistence by the Soviet Union that a European settlement conference be held in Helsinki not later than the autumn

so that Mr Brezhnev can present this achievement of settled European east-west borders to the communist summit conference planned for early next spring.

All these considerations — personal political uncertainty, "huge" conferences and east European insistence on programmed dates — are serious limitations to the efforts in Brussels, Paris and Salzburg. Brussels produced nothing more then agreement to differ within NATO, Paris a plan, but only for further investigation as to the possibility of agreement between the industrial world and the raw material producers over a schedule of fair prices. The Salzburg talks are a high level effort to salvage something from the breakdown of Kissinger's step-by-step peace policy for the middle east.

There are many who think that these spates of summits are not a little self-defeating. Inevitably they raise hopes, are accompanied with maximum publicity and being summits, cannot pass unsolved problems upwards. Even to refer matters to committees of experts is a confession of part-failure. The damage is not so much public disappointment as an increasing public cynicism over summits generally.

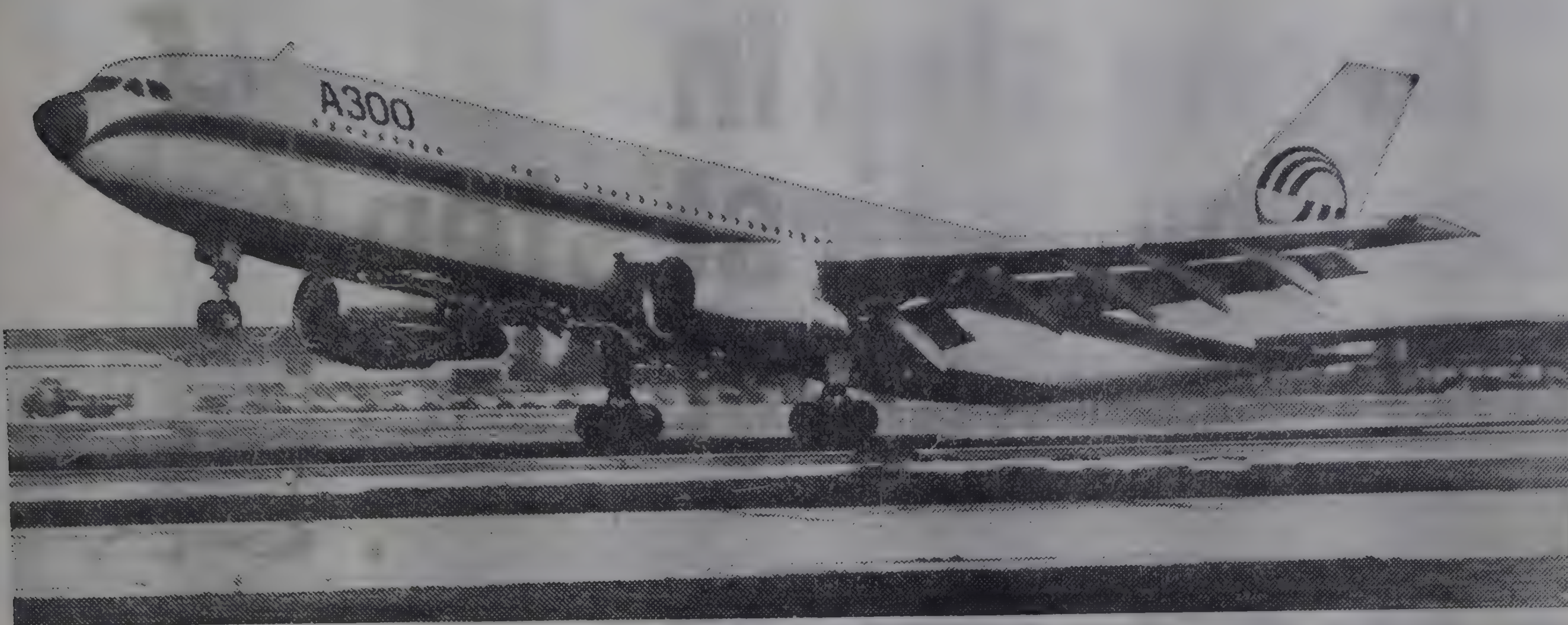
shift of policy

The United States' proposal of a new "cooperative approach" to energy problems at the Paris meeting of the IEA was in so very marked contrast to its hostile attitude to any discussions between energy-producers and energy-users earlier in the year that it shows a shift of policy in Washington revealing less decisiveness, if also less obstinacy. The new US plan specifically includes the "general issue of the relationship between developing and developed countries" (in Kissinger's phrase), the very issue on which the talks called at French instance broke up last month.

The US step back is something of a French step forward, even more a long step forward for the "developing" countries. A step in the direction of reasonableness, one that will dismay those who described the earlier Paris talks over energy as "muddle-headed".

With the whole of western Europe and north America striving for more industrial production and sale those who produce oil, once called "the power to move", are in the strongest possible position to put an effective squeeze on the users by an informal rationing of production. Such a move might rouse wrath but no less a strong inclination to be reasonable in assessing what should be the general relationship between energy producers and energy users. The most significant conference decision comes from Africa, not Europe.

EUROPE TAKES OFF HERE.



At Toulouse, France. Here is where it all comes together. Wings from Britain, fuselage sections from Germany, tailplane and doors from Spain, flaps and slats from the Netherlands, components from other parts of France: all come here where Airbus Industrie is building the world's first wide-body twin jet airliner.

On time, on cost, on performance. Built by Airbus Industrie, a single company drawing on the talents, skills and resources of five nations, this major new civil aircraft was completed on time, within cost estimates and meeting or surpassing all performance targets.

An outstanding service record. In airline service since May 1974, the Airbus A300 has demonstrated from the beginning a degree of reliability achieved by other new aircraft only after some two or three years of operation. Dispatch reliability has been in excess of 97 percent right from the first flight.

Airlines have found that the A300 not only has significantly lower costs per seat mile than the equipment it replaces, but it attracts substantial new business too. The large underfloor freight volume has also proved a profitable source of new revenue.

What London doesn't hear. People living near airports have good reason to appreciate the Airbus A300. Officially certified (U.S. FAA and ICAO) as the quietest of the new quiet wide-body airliners, the low noise level of the A300 is such that recording equipment around London Airport habitually fails to detect the aircraft above the background sound level.

World-wide service. The Airbus A300 is in service now with Air France, Air Siam and Trans European Airways. And soon other communities around the world will discover the economic and social benefits of the Airbus A300 as it enters the fleets of Lufthansa, Korean Airlines, Germanair, Indian Airlines and other airlines.

Co-operation that works. But Airbus Industrie has done so much more than simply build a new and quiet comfortable plane. The success of this new young company in launching a large new civil aircraft indicates clearly how committed Europeans, submerging national differences, can work together with determination to gain a foothold in a highly competitive world market. Airbus Industrie is a convincing demonstration of the possibilities offered by European co-operation at a practical working level.

Airbus Industrie is Europe working together to success.

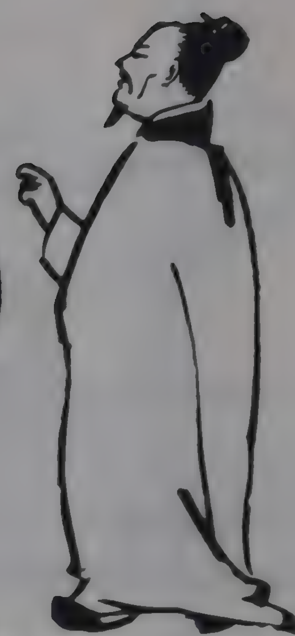
Airbus A300

The right plane at the right time.

FROM AIRBUS INDUSTRIE

NEW CONFUCIAN THOUGHTS...IV

"Wrong step in costing, is first step into quicksand."



Pinpoint cost variances with

DARO SYSTEMS.

And get your due share of profit.

Account No:	Date	Cost Code	Voucher, Ref. No.	Debit	Credit	Balance	Cost Code	Standard Amount	Cumulative Amount	Positive Amt.	Variance 0/00	Negative Amount	Variance 0/00
7157	20.3	126	2397	1000.00		1050.00	126	1000.00	975.00	25.00	2.500		
4204					200.00	300.00	138	2000.00	2389.57			389.57	19.479

Detecting loss areas in the cost centres of production and marketing is not a job to be merely skimmed over. If you do, chances are you might be caught on the wrong foot, with the other foot firmly stuck in a financial quagmire.

Put a DARO SYSTEM to work on your costing. It will help you find out where you can put your foot firmly down and control expenses.

Call BLUE STAR today. Our systems experts will visit you, give a careful hearing to your problems, analyse your needs and come back to you with a custom-built DARO SYSTEM that provides just the right answers to your problems.

Now, isn't DARO a nice four-letter word to use in any hair-tearing crisis?

Available to actual users only, against rupee payment, at PEC controlled prices

DARO SYSTEMS ARE ALSO CUSTOM-BUILT AND ADAPTABLE FOR INVENTORY CONTROL, INVOICING, SALES ANALYSIS, ACCOUNTS RECEIVABLE AS WELL AS PAYROLL PROCESSING

daro SYSTEMS

Exported by
Büromaschinen-Export GmbH, Berlin
German Democratic Republic

Sold and serviced by

BLUE STAR

BOMBAY • CALCUTTA • NEW DELHI • MADRAS
KANPUR • SECUNDERABAD • JAMSHEDPUR
COCHIN • BANGALORE • AHMEDABAD

BLUE STAR-SPECIALISTS IN ACCOUNTING, INVOICING & DATA PROCESSING SYSTEMS

JAISONS 4339

TRADE WINDS

ez Reopens

PTIAN PRESIDENT, Mr
var Sadat, formally re-
ned the Suez Canal on June
on the eighth anniversary
the Arab-Israeli war that
ed it. He called the water-
a tributary of peace and
hannel of prosperity and
peration among men.

The shipping Corporation
India owns a fleet of 119
ps of which 97 can easily
vigate through the Suez
nal.

The reopened Suez will cut
30 to 40 per cent the dis-
ce and movement time for
dian cargoes shipped to
untries in Europe, West
ia and Africa. According
latest indications, India is
ely to have favourable deli-
ry schedules with Syria,
bya, Tunisia, Turkey,
reece, Bulgaria, Italy and
ugoslavia. The concerned
nion ministry has already
ade preliminary studies on
e economic projections for
e movement of Indian cargo
rough the Suez. Detailed
udies are now underway.
is expected that routing
ndian exports through the
anal may give definite advan-
ages to Indian cargo of high
alue per unit such as iron ore,
nanganese, coal and oilcakes.

Britain Stays In

The British people have gi-
ven a resounding 'Yes' to
tay in the European Common
Market. This two-to-one vote
n the referendum on June 6,
has been greeted in the other
Common Market countries.
It has also been welcomed here
because this country has
developed close relations with
the EEC. The decision also ends an uncertainty.

Engineering Exports

The cabinet committee on exports at its meeting held on June 4, 1975 took several decisions aimed at stepping up engineering exports. These decisions were based on the recommendations of an inter-ministerial empowered committee headed by Mr M. G. Kaul, Secretary, Economic Affairs, which had been set up to process the recommendations of the committee set up earlier under Mr M. Sondhi, Secretary, Heavy Industry, on the subject of engineering exports. The decision taken, *inter-alia*, include measures to enhance production capacity to generate exportable surpluses. It has also been decided that to the extent possible within the resources available, the exporter will be provided with all the inputs needed including raw materials, power, export finance, on a priority basis. For allocation of steel, procedures have been simplified and the Iron & Steel Controller would now have the sole responsibility to make allocations after these are sponsored by the Engineering Export Promotion Council.

Another major decision is that in case the JPC prices of steel are revised upwards by 10 per cent or more, contracts entered into by the exporters upto the date of revision of prices will be protected provided the contracts do not contain escalation of prices clause to cover the price increase adequately. On the same lines it has been decided that in respect of the export of capital goods and turn-key projects, the rate of cash assistance obtaining at the time of concluding the contract would be protected till the completion of the contract, as against the existing limit of two years in the case of turn-key projects and 18 months in the case of capital goods.

In the case of other engineering exports such protection will be made available for a maximum period of three years against the existing limit of one year. This protection will be applicable in cases where the price is not renegotiable. For determining cash assistance itself particularly with a view to harnessing unutilised capacity for exports, it has been decided that whereas it would continue to be on the basis of marginal costing, in addition to the rate of cash assistance thus arrived at, 25 per cent thereof will be added to count towards the fixed cost of production. The cut off limit of 25 per cent cash assistance would, however, stand as hitherto. However, it is proposed to undertake shortly a comprehensive review of the cash assistance system.

No Import Duty

It has also been decided not to charge import duty on raw materials in the case of advance licences if these are certified by the DGTD and approved by the Advance Licensing Committee. The modalities of checks to be exercised will be worked out separately.

For a more rational approach to the prescribing of export obligation, the question of imposing specific export obligation will be considered only by the Licensing Committee except where the proposal does not involve its approval. Where other bodies namely OG Committee or Foreign Investment Board consider any modification necessary these would be referred to the Licensing Committee for final decision. The penal provision on the non-fulfilment of export obligation has been made more realistic. Instead of the units being required to hand over twice the difference between the stipulated annual obligation and actual exports to STC or other agency for export at whatever price it would fetch, it has been decided that it would suffice if, instead, an equivalent quantum as per unfulfilled part of the export obligation is handed over to the STC.

A major step towards simplification of procedures decided upon is that the IDBI has been named as the focal point for receipt and processing of exporters' proposals for deferred payment on exports instead of applications being pre-processed as at present at three or four points. This procedure will obviate the need for exporters to approach the three institutions individually. It is also being decided subject to certain minimum requirements in regard to payment terms etc. being fulfilled, the exporters may enter into firm commitment with foreign buyers, without prior approval of the RBI and Export Credit Guarantee Corporation, in case of deferred payment contracts of a value not exceeding Rs 50 lakhs and a credit period not exceeding five years, provided IDBI financial assistance is not required. More precise guidelines in this respect have also been formulated in such a manner that all cases excepting those presenting special features may be disposed of without reference to government.

Export Finance

A high powered standing committee on export finance under the Chairmanship of Deputy Governor, RBI, has already been set up in the RBI, consisting of the representatives of ministries of Finance (Department of Economic Affairs), Commerce, IDBI, ECGC and Foreign Exchange Dealers' Association to deal with the general problems faced by exporters in regard to export finance.

Amongst the decisions taken by the empowered committee on a number of other recommendations made by the Sondhi Committee, are those which, *inter alia* relate to the collection of specialised data and information, taking up of preliminary studies by consultants, preparation of a more comprehensive and detailed

directory of more important machinery manufacturers and establishment of direct contracts by the Indian specialists with their counterparts abroad etc. for which financial support will be made available by the Market Development Fund.

It has also been decided to liberalise foreign exchange permits for travel abroad such as in the case of consultancy organisations for export promotion, for joint ventures etc., subject to certain stipulations. Pre-shipment credit at concessional rate of interest up to 180 days for a number of capital goods has already been announced by the RBI while the report was under considertation by the empowered committee. A higher rate of interest but still below the normal rate, would also be available for another three months beyond six months.

The above decisions taken by government, both in regard to basic policy matters as well as procedures, constitute a big step forward to help the engineering exporters. It is all the more opportune in view of somewhat declining order book position presently faced by these exporters. The government is confident that with these measures, the export target for engineering goods of Rs 600 crores (at 1973-74 prices) in the course of the next three or four years should be well within our reach.

Soviet Aid for Calcutta Metro

India will receive assistance from the Soviet Union in the implementation of the Underground Rapid Transit Project in Calcutta. According to the letters of agreement exchanged between the two countries recently, the Soviet Union will provide credit for purchase of equipment and technical assistance including deputation of Soviet experts to India and Indian trainees to the Soviet Union. Assistance will be provided by the Soviet Union under agreement concluded between the two countries in December 1966. India is to repay the credit in equal annual instalments over a period of 12 years. Under the agreement, various Indian and Soviet organisations engaged in the construction of the project will conclude separate contracts.

Purchases from Small Sector

The list of reserved items bought from small-scale industries by the Supply Department is to be reviewed by the high-powered Committee on Government Purchases. Although the government policy on reservation has now extended its scope to over 220 items, it has been noticed that about 120 are specifically small-scale products, so the question of competing with large industries does not arise. Besides the application of the price preference of 15 per cent to small industries over the last 20 years has been in very few cases.

At a meeting of the committee held recently, Mr R.K. Khadilkar, minister of Supply and Rehabilitation stressed that a policy is not enough but its implementation is more important. He requested the committee to look into the problems faced by the small-scale industries. The minister felt that the committee must first identify the major areas where detailed studies could be undertaken. The committee has decided to create secretariat study groups on general purchases, contracting, tendering, payments and accounting, the small-scale sector and the public sector. Experts from concerned fields are to be consulted or will be working with the study groups.

Sugar Production

The sugar production in the month of April, 1975, the seventh month of the season 1974-75 was about 5,81,000 tonnes as against 4,01,000 tonnes during the corresponding period last season, according to the Indian Sugar Mills Association. This brings the total production during the first seven months of the season 1974-75 to about 4,463,000 tonnes as against 3,580,000 tonnes during the corresponding period last year.

The off-take of sugar from factories during the month of April, 1975, was about 253,000 tonnes for internal consumption and 97,000 tonnes for exports as against about 2,87,000 tonnes for internal consumption and 11,000 tonnes for exports in the corresponding period last season. The total despatches in the first seven months in 1974-75 was 18,87,000 tonnes for internal consumption and 524,000 tonnes for export as against 21,19,000 tonnes for internal consumption and 1,61,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories on April 30, 1975, was about 28,80,000 tonnes as against about 21,41,000 tonnes on the same date last season.

Common Strategy for Paris Meet

India, Sri Lanka and Bangladesh will press not only for enlargement of the share of developing countries in the oil facilities provided by the World Bank and the International Monetary Fund at the Paris meeting, but also demand soft lending terms for the facilities. This is said to be the consensus arrived at a recent two-hour meeting between the Finance ministers of India, Sri Lanka and Bangladesh, Mr. C. Subramaniam, Dr N.M. Pereira, and Dr A.R. Mullick respectively.

A spokesmen of the union Finance ministry stated that the three-Finance ministers generally agreed upon the approach to be adopted by the developing countries in general and by them in particular on various issues that were to came up before the meetings of the interim and development committees of the World Bank and the International Monetary Fund. He further stated that the broad approach taken by three ministers was that the developing countries should s at the meeting of the int committee of the IMF the development comm to ensure the transfer of resources to the develo countries, suitable upv revision in their share in Fund quotas and a voice in the decision-making cesses of the IMF.

Nepa Mills

The state-owned N Mills has produced an all-t high of 54,000 metric ton of newsprint during 1974 which is nearly 50 per c more than its present ra capacity and 10 per c more than the production 48,670 metric tonnes in 19 74. The mills also earned record profit of Rs 175 lal during 1974-75, according provisional estimates. chairman and Managi director of the Mills Mr N Dasgupta. stated that undertaking would be able reach optimum capacity of 2 metric tonnes per day with the next two months.

He disclosed that much the equipment for raising capacity to 75,000 met tonnes had been install and the centre had a proved in principle the 65 crore-second phase of t expansion programme of fu ther doubling the capaci from 75,000 to 155,900 metr tonnes per annum. The Pla ning Commission and centr government departments we busy studying the feasibili report submitted by the mill

Buses for Mauritius

Mauritius is to buy 10 buses from India under th Rs 5-crore credit offered that country. Works and Tran port minister of Mauritius, M A.H.M. Osman leader of a eight-member delegation discuss the deal, was in thi country recently. Beside buses, the credit will b utilised by Mauritius govern ment for the purchase capital equipment. Mr Osma called on Commerce ministe

D.P. Chattopadhyaya and reviewed trade prospects.

dia's exports to Mauritius h increased from Rs 1.13 es in 1969-70 to Rs 3.89 es in 1973-74. Exports ded textiles, machinery and sport equipment. Imports Mauritius have been igible except for purchase opra.

nd Use Commission

The union minister for iculture and Irrigation, Jagjivan Ram, proposes convene a conference of ef ministers shortly to cuss a long-term strategy conserving and building land and soil resources in country. The ministry already decided to set a Central Land Use Comssion which will keep a ntinuous watch on all mats pertaining to the managents of country's land and l resources. State govments, meanwhile, have en asked to set up land boards on the lines of Land Use Commission at centre. States have also en asked to prepare a 25-ar perspective plan for nservation and building up land and soil resources.

hipping Corporation

The Shipping Corporation India owns a fleet of 119 ips of which 97 can easily avigate through the Suez anal.

The fleet of Shipping Corporation of India in operation as a gross registered tonnage f over 1.9 million. As many 21 ships of over 9,00,000 RT are on order. The unique eature of the corporation's eet is its diversified nature. includes bulk carriers and ankers, dry cargo vessels, re-oil-grain carriers, passener-cum-cargo vessels and even oal and timber carriers. Of he total tonnage, dry cargo essels and bulk carriers alone onstitute about 50 per cent.

The SCI with a paid-up capital of nearly Rs 28 crores made a net profit of Rs 24.49 crores during 1974-75. It is one of those public sector undertakings which ever since its inception in 1961, had been earning profits every year. The gross earnings of the corporation during 1961-62, were Rs 8.13 crores which steadily rose to over Rs 77 crores in a decade during the year 1971-72 and totalled Rs 193.37 crores in 1974-75.

The quantity of cargo carried by the SCI ships rose from over 8,00,000 tonnes in 1961-62 to 3.8 million tonnes during 1971-72 and over 40 lakh tonnes in the year 1974-75. That is reflected in the foreign exchange savings/earnings by the corporation which rose from Rs 418 crores in 61-62 to Rs 96.50 crores in 1974-75. The reserves and surplus of the corporation stood at Rs 63 crores on March 31, 1974. The corporation, in all, is running about 30 services which include 20 overseas cargo liner services and six passenger-cum cargo services. It also undertakes promotional services likely to yield income later, and tries to explore the possibilities of developing fresh trade routes.

General Insurance

The net premium income from all classes of general insurance business recorded by Indian insurers at home increased by over 10 per cent in 1971 over the previous year. The amount of premium rose from Rs 84.44 crores in 1970 to Rs 93.76 crores in 1971. During the period, the net premium income of the Indian insurers outside India also went up from Rs 36.15 crores to Rs 42.64 crores, bringing the total premium income to Rs 136.40 crores in 1971 as against total of Rs 120.59 crores in the previous year.

In 1971. premium earnings from fire insurance in India amonnted to Rs 32.92 crores and from marine and miscellaneous insurance Rs 18.84 crores and Rs 42.25 crores respectively. The non-Indian insurers also recorded an increase in the net premium income in India from Rs 19.12 crores in 1970 to Rs 20.94 crores in 1971. They earned Rs 9.20 crores from fire insurance. Rs 5.56 crores from marine insurance and Rs 6.18 crores from miscellaneous insurance business.

The index number of general insurance business in India also recorded a rise of 14.4 points, from 187.6 in 1970 to 202.0 points in 1971. This information is provided in the India insurance year book 1972, published by the controller of insurance. According to the report, the number of insurers registered under the Insurance Act 1938 for transacting one or more classes of general insurance business stood at 107 in December 1971, as well as in December 1972. Of these, 64 insurers were Indians and 43 non-Indians. Eighty-five of the insurers were engaged in all the three classes of general insurance business, namely, fire, marine and miscellaneous.

Cement Export

Iran has agreed to buy cement worth nearly Rs 26 crores from India. Under an agreement signed recently by the State Trading Corporation with Iranian authorities, shipments will start from July thisyear and would be completed by December, 1976. Half the quantity would be exported during the current financial year. Iran has agreed to deposit with STC 25 per cent of the total value before the commencement of shipments. It will be refunded in 12 equal monthly instalment starting from October, 1976, without any interest liability. Settlement has also been reached on the mode of payment which had earlier delayed the agreement for some months. Deutshe Mark will now be the unit of currency for calculating the payment for cement exports.

With this big deal with Iran, STC has been able to sign contracts for the export of cement worth about Rs 40 crores. Other countries included are Kuwait, Qatar, Oman and Abu Dhabi. The corporation is confident of achieving the target of Rs 30 crores of cement export fixed for the current year. It has already finalised arrangements for export worth nearly Rs 27 crores and hopes to enter into fresh deals in the near future. Since the quantity involved is substantial, port handling facilities are being augmented. Discussions have been held with the Shipping ministry in this regard and some of the constraints have already been removed.

Hessian Export Duty Abolished

The government has abolished the export duty on hessian. It is hoped this will revive the flagging fortunes of jute mills, which have been complaining since the devaluation by Bangladesh that they are being totally outpriced in the world market. The export duty on hessian has been rather heavy at Rs 600 per tonne, and its abolition will enable exporters to offer a much more competitive price. The government had earlier abolished the export duty of Rs 200 per tonne on May 3. The only jute product to still bear an export duty now is sacking, which attracts a levy of Rs 170 per tonne.

Argentina Peso Devalued

The Argantina government cut in half the value of its peso currency for most financial operations recently, the second devaluation within three months. Under the new rates, the peso will be traded on the financial market at 30 peso per US dollar.

Double Taxation Agreement with Belgium

India and Belgium ratified here recently the agreement for the avoidance of double taxation and prevention of fiscal evasion of taxes on incomes. The agreement was signed between the two countries at Brussels. The letters of ratification were exchanged between Mr S.R. Mehta, chairman, Central Board of Direct Taxes, and Mr J.C.

Salmon, Ambassador of Belgium to this country.

The agreement, which will come in to force shortly, is of a comprehensive nature covering all types of incomes. It also provides for exchange of information and assistance in the collection of taxes. The main purpose of negotiating such agreements is to promote the flow of trade, technology and personnel from one country to the other for accelerating economic and industrial development of the country and for removing tax obstacles that may be inhibiting such flow. India has already entered into similar agreements with a number of countries such as Austria, Denmark, France, Finland, Greece, Japan, Norway, Sweden, West Germany and UAR.

Japan, France Cut Bank Rates

The Bank of Japan has announced cut in the Japanese Bank Rate in less than two months. The action, brings the key rate down to eight per cent from 8.5 per cent. The rate was lowered from nine per cent on April 16. The governor of Bank of Japan stated that the reduction was designed to help the national economy recover slowly undercontinued cautious monetary policy.

The French Bank Rate has been cut from 10 per cent to 9.5 per cent, effective immediately.

Lac Export Trade

In a memorandum to prime minister Mrs Indira Gandhi, the All-India Shellac Manufacturers' Association has demanded nationalisation of the lac and shellac export trade, provision of price support schemes and scrapping of minimum export price to help the industry tide over the present crisis.

There are five million lac growers in Bihar, Madhya Pradesh, West Bengal and UP. The growers and traders are suffering due to unrealistic fixation of minimum export prices which have led to a heavy fall in demand for the Indian lac and shellac in the foreign market. The internal price for shellac has come down to Rs 200 per maund whereas its minimum exports price still remains fixed at Rs 922 per maund, the beneficiaries being the unscrupulous exporters. The memorandum says that if fair and remunerative prices are not given to lac growers, they will have to abandon the cultivation of lac. This imposes a threat to the survival of the shellac industry, depriving the country of valuable foreign exchange.

Thailand, which is the main competitor of Indian lac there is no export price control and consequently Thailand is penetrating into the Indian shellac strongholds. The memorandum said that the gravity of the situation requires immediate withdrawal of the minimum export price and the STC stepping in along with the small exporters to check exploitation by monopoly private exporters.

Minimum Wages in Punjab

The Punjab government has decided to raise the minimum wages of industrial workers in the state from Rs 125 to Rs 166.50. Announcing this recently the Finance and Labour minister, Mr Hans Raj Sharma, stated that this had been done on the recommendation of the labour advisory committee. It had also been decided to increase the wages from 50 paise to 75 paise per point rise in the consumer index. He said nearly 200,000 industrial workers would benefit from this.

Tobacco Exports

The Tobacco Development Council has suggested an upward revision of the export target for unmanufactured tobacco, as the one set for the fifth Plan has already been achieved during the last three years. The council at its meeting at Hyderabad discussed this and various other issues concerning the development and export of tobacco. The draft fifth Plan had set an export target of 73 million kg. (from a base level of 60 million kg during 1973-74) of unmanufactured tobacco for 1978-79, the last year of the Plan. This represents a growth rate of four per cent per annum. But due to certain favourable market trends, export touched a record 94.5 million kg. in 1972-73 followed by 78.2 million kg in 1973-74 and 78.6 million kg in 1974-75.

During the last two years tobacco export declined from the record level of 1972-73. But in terms of value it touched a peak of Rs 68.41 crores in 1973-74, against Rs 61.07 crores in the previous year.

HMT

The state-owned Hindustan Machine Tools has registered the highest turn-over in its 22-year operational history and earned a net profit of Rs 5 crores during 1974-75 —over two-and-a-half times increase over its previous year's profit of Rs 1.96 crores. Dr S.M. Patil, HMT chairman, said, despite chronic power shortage in practically all its units and disruption of work owing to inter-union rivalry in one or the other unit, the company's turn-over jumped from Rs 43.06 crores in 1973-74 to Rs 93.79 crores in 1974-75.

All the three main products — machine tools, watches and tractors — of the company had contributed to its total profit. This had also exploded the 'myth' that the HMT's profit was only because of its watches, he said. Total sales of machine tools in 1974-75 were about Rs 36 crores, as against Rs 28 crores in the previous year—a growth of 28 per cent, he pointed out. The company's previous best performance was in 1964-65 when it made a profit of Rs 3.76 crores. Subsequently the company went into a p[...] of oppressive recession. [...] survive that recession an[...] establish a base that c[...] withstand future reces[...] the HMT undertook a [...] sive Rs 40-crore progra[...] of product diversification [...] export, Dr Patil said.

Capital Ploughback

The company had been [...] to plough back Rs 27 cr[...] from its own internal res[...] ces towards the diversifica[...] programme. A new sys[...] of performance had been [...] troduced in 1974-75 to [...] vitalise and ensure effic[...] performance and hi[...] productivity. The top [...] nagement structure of H[...] had also been reorganised, [...] make its several units a[...] nomous and, at the same ti[...] accountable for their per[...] mance. The decentralisat[...] had shown good res[...] in HMT's overall per[...] mance.

Reviewing unitwise per[...] mance, Dr Patil said, the [...] derabad machine tools divisi[...] with a turnover of Rs 7[...] crores, had turned the cor[...] and earned a satisfact[...] maiden profit, in 1974-75. [...] the first time in its history [...] HMT's sick baby, the Ka[...] massery unit, had mana[...] to break even and made [...] marginal profit of Rs 50,0[...] The Kalamassery unit's m[...] bane was the multiplicity [...] unions. Working agai[...] severe odds such as crippl[...] power cuts, excise restrictio[...] and problem of railway wag[...] for transportation, the P[...] jore unit did creditably w[...] in manufacturing 6,800 tr[...] tors—3,095 more than in [...] previous year.

Names in the News

Mr P.N. Luthra, Secreta[...] Department of Social Welfa[...] government of India, has be[...] unanimously elected Chairm[...] for the Programme Commit[...] of the United Nations Chi[...] ren's Fund. This is the seco[...] successive year that India w[...] chair this committee whi[...] plans and supervises UN[...] CEF's welfare programmes

COMPANY AFFAIRS

Markets Listless

ities moved listlessly in the
k markets during the past
k in the absence of active
ng or selling. With insti-
onal support lacking equi-
tended to decline but the
r of incentives to engineer-
goods exporters evoked
y support. Good corporate
s by way of bonus issues
overlooked. The under-
e at the close was indeci-
e.

Meanwhile the Bombay
reholders' Association has
de recently several valuable
gestions to the union Finance
nister for the revival of the
ital market. It has suggested
t the time lag between two
nus issues be reduced from
months to 12 month and the
idend exemption be raised
m Rs 3,000 to Rs 5,000 with
view to attracting invest-
nts. Development rebate
ould also be reintroduced
d the period of long-term
pital gains reduced to 12
nths. No capital gains tax
paid if the proceeds of shares
ld are reinvested in shares
thin six months as in the
se of immovable property.
The association has also sug-
sted that wealth tax exemp-
on be granted for investments
non-priority projects new-
floated in backward areas,
x credit certificates in res-
ct of investment in new issues
ould be revived. Initial de-
eciation should be allowed to
l companies in view of high
st of new projects and the
rcharge of 2.5 per cent levied
corporate tax during the
angladesh crisis in 1971 being
ithdrawn.

Punjab National Bank

The Punjab National Bank has made commendable progress almost in all spheres of its activities. Its performance in keeping an effective check on expenditure and in bringing about a sharp improvement in profitability is particularly praise worthy. It is gratifying to note that the net profit, which dipped by 2.4 per cent in 1973 over the 1972 level, was reversed and there was in fact a smart rise of Rs 0.62 crore to Rs 3.02 crores in 1974 or a handsome increase of about 26 per cent over 1973. Its efforts to control expenditure in all items and improve income in all areas have also been richly rewarded.

increase in income

The bank's income went up steeply by Rs 17.45 crores to Rs 71.73 crores or an increase of 32.2 per cent over 1973 which is in sharp contrast to a rise of 19.1 per cent in 1973 over 1972. The net income, after interest on deposits, too recorded an equal rise of Rs 5.24 crores to Rs 29.22 crores in 1974 or a growth of 21.9 per cent over 1973 as compared to 13.9 per cent in 1973 over 1972. In net expenditure there was a healthy improvement for the first time. The 1974 expenditure went up only by Rs 4.62 crores to Rs 26.20 crores or a rise of 21.4 per cent which was lower than the net income rise of 21.9 per cent in contrast to the 1973 experience of an expenditure growth of 16.1 per cent outpacing an income rise of 13.9 per cent.

Deposits and other accounts recorded only a modest rise of 11.6 per cent during 1974 — from Rs 740.8 crores to Rs 826.4 crores — as against the high growth of 19.3 per cent in 1973. While the expansion in fixed category was satisfactory, there was a moderate growth in current and savings deposit accounts. During 1974 fixed deposits went up by 13.7 per cent from Rs 346.1 crores to Rs 393.5 crores while current deposits rose by 10.0 per cent from Rs 143.4 crores to Rs 157.7 crores. Savings Deposits too improved from Rs 251.3 crores to Rs 275.2 crores but at a comparatively less growth rate of 9.5 per cent over 1973. The erosion of savings by inflation, the reduced inflow of farmers surpluses following poor crops and the general scramble for funds have affected adversely the deposit of growth the banking system as well as the PNB.

Despite the general slackness in deposits PNB expanded and diversified its credit portfolio. The bank's credit rose by 12.3 per cent in 1974 as against 31.1 per cent in 1973 while the banking system as a whole rose by 12.1 per cent as against 26.8 per cent. In absolute terms the bank's credit expanded from Rs 428 crores to Rs 481 crores. The sectoral and state-wise deployment of credit was progressively improved during the year to ensure a continuing shift from trade and seasonal industry to public sector and non-seasonal industry, strengthening its share in priority sector and improving regional balance.

branch expansion

The bank continued with vigour its branch expansion programme. During 1974 it opened 87 branches apart from closing down one branch. The emphasis continued to be in opening offices in unbanked centres where the Bank opened as many as 43 new branches during 1974. Moreover at the end of 1974 about two-thirds of the bank's branches were in rural and semi-urban centres. As on December 31, 1974 the bank had a network of 1101 branches with 375 offices in rural areas, 349 in semi-urban areas, 220 in urban centres and 157 in metropolitan cities and towns. The bank's efforts to convert losing branches into profitable ones were continued during the year and the attempts having started yielding good results.

Larsen and Toubro

Larsen and Toubro has received the government's sanction to declare an interim equity dividend of six per cent. The company does not usually pay an interim dividend but it decided to pay one this year to assist the shareholders in subscribing to its one-for-four rights issue at a premium of Rs 6 per share. A sum of Rs 8 per share — Rs 5 towards the capital and Rs 3 towards the premium — is payable on application and the balance of Rs 8 before December 31, 1975. The rights shares will qualify for full dividend for the year to end in March 1976. The interim dividend will be paid before July 10 and the last date for the receipt of application for rights shares has been extended from June 26 announced earlier to July 15.

Tata Mills

Tata Mills Ltd, has suffered a sharp setback in its working during 1974. Its sales dropped to Rs 12.37 crores from 14.34 crores in 1973 while its gross profit dropped to Rs 90.62 lakhs from Rs 133.86 lakhs in the previous year. Out of the gross profit, the directors have provided a Rs 37.41 lakhs to depreciation reserve, Rs 6.00 lakhs to development rebate reserve and Rs 24.25 lakhs for taxation, as against Rs 37.04 lakhs, Rs 35.00 lakhs and Rs 12.00 lakhs provided respectively in 1973. This leaves a disposable profit of Rs 22.96 lakhs as against Rs 49.82 lakhs in the preceding year.

The directors have recommended an equity dividend of Rs 3·75 per share (15 per cent) as against 16 per cent paid in 1973. The dividend includes pro-rata dividend on 96,180 rights shares for three months. Out of the recommended eqity dividend Rs 1·65 per share will

be paid immediately and the balance of Rs 2.10 per share will be paid in two equal annual instalments in July 1976 and July 1977 together with an interest of eight per cent per annum. The company's application for an industrial licence to instal 200 additional automatic looms without any foreign exchange expenditure has been turned down by the government as the company could not accept what amounted to an unrealistic export obligation.

Ahmedabad Advance

With a sharp upswing in sales to Rs 15.52 crores from Rs 13.16 crores, the gross profit of Ahmedabad Advance Mills too recorded a sharp rise to Rs 130.31 lakhs from Rs 103.81 lakhs in 1973. Out of the gross profit, the directors have appropriated a sum of Rs 41.46 lakhs to depreciation reserve, Rs 50.00 lakhs to development rebate reserve and Rs 10.00 lakhs for taxation as against Rs 32.33 lakhs, Rs 9.00 lakhs and Rs 20.00 lakhs provided respectively in 1973. No allocation has been made for gratuity as against Rs 25.42 lakhs provided previously. This leaves a higher disposable profit of Rs 28.85 lakhs as compared to Rs 17.06 lakhs in 1973. The directors have recommended an equity dividend of Rs 16.00 per share as against Rs 12.00 in 1973. Out of the recommended equity dividend, Rs 12.00 per share will be paid immediately while the balance of Rs 4.00 will be paid in two equal annual instalments in July 1976 and July 1977 along with an interest of eight per cent per annum.

Central India

Central India Spinning, Weaving and Manufacturing Company has received an industrial licence for the manufacture of kraft, tissue and other types of paper. Steps are being taken to implement the project within the mill premises at Nagpur. The project is estimated to cost Rs 67 lakhs, including working capital requirements. For this project SICOM and United Bank of India have expressed their willingness to provide financial assistance of Rs 25 lakhs and Rs 10 lakhs respectively. The company has also been sanctioned by SICOM an interest free unsecured long-term sales tax loan of Rs 14.96 lakhs for the project.

Kamani Engineering

The Kamani Engineering Corporation Limited at present holds the highest ever order book for 70,000 tonnes of towers and structurals constituting nearly 20 months working. These orders are at prices with substantial improvement in margins and better terms of payments. Besides most of them are suitably insulated by escalation clauses against inflation. With regard to old fixed price contracts, to stop erosion of margins due to inflation, the company's efforts were directed towards either cancellation of these contracts or improvement in their prices. The company is happy to report a fair amount of success in getting increase in prices on some of the export orders whereas efforts in the case of others are still continuing. A special mention deserves to be made of the old IDA fixed price contracts, where government has agreed to reimburse a part of the increase in zinc prices.

The company's major thrust has now been shifted from export to Indian business in order to stabilise the company's financial position and create a viable domestic base for more organised sales strategy in the export market. The company's business within the country includes execution of IDA projects which enjoyed the same status as export orders but have a shorter working cycle and would, therefore, facilitate quicker returns than is generally possible in normal export contracts. As on March 1975 the company's total order book amounted to Rs 29 crores as compared to Rs 22 crores in March 1974. While the order book of the previous years had fairly large components of bought-out items, the current order books is predominantly for the company's products and services. This would contribute towards reducing risks inherent in dependance on outside suppliers and the uncertainties over which the company would have had little control.

The company has recently diversified into antenna structurers for defence. The company's improved model of road roller after having passed for performance, comparable to the conventional road rollers, by the government road research laboratory has now been registered with DGS&D, who are the largest purchasers of road rollers in the country. At the same time the company is exploring possibilities of exporting and it is gratifying to note that an order from abroad has already been received.

Sundatta Foods and Fibres

Sundatta Foods and Fibres Limited has reported a sharp rise in turnover to Rs 8.35 crores in 1974 as compared to Rs 6.36 crores in the previous year. Its exports too was appreciably higher at Rs 2.46 crores as against Rs 2.11 crores in the preceding year. The net profit for the year, after providing for depreciation and bonus but subject to tax and gratuity was, however, lower at Rs 34.83 lakhs as compared to Rs 54.55 lakhs in 1973. After adjustments there is a disposable surplus of Rs 37.49 lakhs as compared to Rs 55.65 lakhs in the earlier year. Out of the disposable surplus, the directors have transfered Rs 8707 to development rebate reserve, Rs 4.38 lakhs for taxation, leaving a balance of Rs 33.02 lakhs. The proposed payment of preference dividends up to December 31, 1974, —for eight years and two months will claim Rs 5.91 lakhs while the equity dividends recommended at the rate of 12 per cent for 1974 will absorb Rs 3.47 lakhs. The balance of Rs 23.63 lakhs has been transfered to general reserve.

The company's division 'Sunfarm feeds' for the manufacture of compound animal feeds set up at the industrial estate at Hubli is now operating satisfact[...] and has contributed to [...] company's profit during [...] year under report. The [...]tional Research Developm[...] Corporation of India has [...]cently sanctioned a refund[...] grant of up to Rs 10 lakhs [...] implementing the research [...] developmental project for [...] production of edible and p[...]maceutical grade, high-pro[...] cottonseed cancentrate in [...] prototype plant. The comp[...] has acquired land and bu[...]dings for this protein pro[...] at Chitradurga and has a[...] acquired the Dorr-Oliver p[...]tein pilot plant which is p[...]posed to be shifted to Chit[...]durga and the necessary pl[...] modifications made. The fo[...]dation stone of this "Sunda[...] oilseed protein research c[...]tre" has already been laid a[...] the Karnataka government [...] assured all cooperation to t[...] key research and developm[...] project.

Tiger Locks

In spite of heavy initial e[...]penses and unfavourable ma[...]ket conditions, Tiger Lo[...] Limited has reported sat[...]factory working results duri[...] the year ended September [...] 1974. It is indeed gratifying [...] note that the first year's wor[...]ing, which in fact is for a peri[...] of nine months only, had [...]sulted in a handsome profit [...] Rs 4.84 lakhs before allowi[...] for depreciation. But for t[...] exorbitant interest charg[...] amounting to Rs 7.91 lakh[...] the profit would have be[...] substantially higher. The co[...]pany, however, hopes to sho[...] striking improvements in [...] working results in the years [...] come.

As the economy was su[...]jected to unprecedented strai[...] during 1974, it was indeed [...] extremely difficult task f[...] the company to promote t[...] sales of its products [...] the home markets. In ord[...] to offset any larger possib[...] decrease in domestic sal[...] efforts were made to promo[...] sales overseas. The co[...]pany's efforts in this directi[...] have amply been rewarded. [...] has booked enough expo[...] orders and it has now co[...]

worth Rs 47.49 lakhs. ecords of Indian Imple- Manufacturing Com- the firm which the com- took-over from January 1, in the field of exports ed the company to ob- recognition as an export e. An eligibility certificate also been granted to the pany recently. As a result ne public issue of Rs 50 s during the year the subs- d capital of the company been increased to Rs 58 s. There was an over- ming response to the pub- ssue and the issue was over cribed.

ne Gurgaon project has delayed. This, however, is likely to affect adversely profitability of the com- y or its manufacturing ope- ons. Taking over of Tiger lucts (P) Limited and An- Pressings Pvt. Limited, take some more time. The eme for taking over will be mitted to the concerned n courts only after the app- al of the shareholders. This k is proposed to be taken after the completion of the rgaon factory.

nspite of the need for con- ving resources in the face all-round escallation in cost l the high rate of interest able to banks and thereby increased capital cost of the rgaon project and running the Aligarh unit, the direc- s have recommended pay- nt of dividend to preference areholders in the very first ar of its operations. Since e profits are not adequate, e equity shareholders will be id no dividend during the ar ended September 30, 1974.

lews and Notes

Saroj Alloys and Steel which mmenced commercial pro- iction since April 16 last, is eking government's permis- on for adding either two 10- nne furnaces or one 20-tonne irnace to make up the total roduction of 50,000 tonnes er annum. The present li- ensed capacity is 18,000 ton- es ingot billets but the instal- ed capacity is a little higher t 18,500 tonnes.

New India Industries Limited has submitted a proposal to the government for the manufacture of pocket export camera namely 'auto star pocket' and the board is hopeful of receiving the licence in time so as to start production by February 1976. Another proposal has also been submitted by the company for the manufacture of flat wire heads.

Foods specialities has developed self-drinking tea. Samples prepared by the company based on a new process have received favourable comments abroad. A trial order for this new product has since been received.

Richard N. Scroggins has joined American Express Company as Vice President — Real Estate. He will have worldwide responsibility for the real estate activities of the Company and its principal subsidiaries.

New Issues

Perfect Circle Victor (formerly Victor Gaskets India) will be entering the capital market some time in September to raise additional capital of Rs 101.29 lakhs in equity shares of Rs 10 each at par. Out of the additional capital, the Indian promotors, Anand Group, will subscribe to equity shares worth Rs 28.83 lakhs while the Dana Corporation of the USA will take up equity share capital to the tune of Rs 30.71 lakhs. The balance of Rs 41.75 lakhs will be offered to the public for subscription. The public issue is fully underwriten. After this issue the foreign shareholding in the company will be reduced to 35 per cent.

The company is setting up a Rs 3.10-crore project for the manufacture of piston rings for automobiles. The project is being implemented in technical and financial collaboration with Perfect Circle Division of Dana Corporation of the USA. The company has received a licence for manufacturing 30 million piston rings annually. If all goes well the plant at Nasik with a capacity of 18 million rings, marking the first stage of the production programme will go on stream by January 1976. The project will go a long way in bridging the yawning gap between the demand and supply. The current production is a bare 19 million rings, which is just half of the estimated demand for piston rings. Hence a ready market for the company's market is thus assured. Considering Victor Gasket's past performance and the merit of the new project an excellent response to this public issue is expected, irrespective of the present sad state of the capital market.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital. The details are as follows:

The Bharat Commerce and Industries Ltd: The company has been accorded consent, valid for three months, to capitalise Rs 1,00,00,000 out of its general share premium account capital redemption reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

The Saurashtra Solvent Extraction Co. Pvt Ltd, Rajkot The company has accorded consent, valid for three month to capitalise Rs 7,25,000 out of its general reserve and surplus and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Payion-Talbros Pvt Ltd, New Delhi: The company has been accorded consent, valid for three months, to capitalise Rs 10,00,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every four equity shares held.

The Partap Steel Rolling Mills Pvt Ltd. The company has been accorded consent, valid for three months, to capitalise Rs 30,00,000 out of its undivided profits and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Special Steels Ltd, Bombay: The company has bee accorded consent, valid for 12 months, for issue of further capital of Rs 100 lakhs divided into 60,000 equity shares of Rs 100 each, for cash at par as rights and 40,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each for cash at par to the general public by a prospectus.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Aspinwall & Co	Dec. 31, 1974	10.0	7.5
Graphite India	Dec. 31, 1974	18.0*	12.0
Same Dividend			
Aspinwall & Co (Travancore)	Dec. 31, 1974	15.0	15.0
Binny	Dec. 31, 1974	Nil	Nil
Molins of India	Dec. 31, 1974	10.0	10.0
National Organic Chemical	Dec. 31, 1974	12.0	12.0
Enfield India	Dec. 31, 1974	12.0	12.0

*On enlarged capital

Foreign collaborations

DURING the quarter January-March this year, 53 cases of foreign collaborations were approved. Out of these, 45 cases inv technical collaboration and eight were for financial participation also. The collaborating countries are Belgium, Canada, Federa public of Germany, France, German Democratic Republic, Hungary, Italy, Japan, Sweden, Switzerland, the UK and the USA items of manufacture include diamond core drilling machines, gramophone records, foundry chemicals, finished leather, tapc gers, crankshafts, tyre moulds, penicillin, calcium carbonate, apple concentrate, phenol, carbon black and pneumatic conve equipment.

S. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
1	2	3	4
		India—Belgium	
1.	M/s Greaves Cotton & Company Ltd, Dr. V. B. Gandhi Marg, Bombay-400023.	M/s Diamant Boart S.A., Belgium.	Diamond Core Drilling Mach
		India—Canada	
2.	M/s Nathani Steel Pvt. Ltd., Adjoining Vidya-Vihar Rly. Stn., Bombay-400086.	M/s Steadman Containers Limited, 150, Glidden Road, Brampton, Ontario, Canada.	Steel Freight Containers.
3.	M/s Haryana State Indl. Dev. Corporation Ltd., SCO No. 4 and 5, Sector 17-A, Chandigarh.	M/s Cor Tech. Research Limited, 430 Vanguard Road, Richmond, British Columbia, Canada.	Rice Husk Board.
		India—Federal Republic of Germany	
4.	M/s Belpahar Refractories Ltd., S.E. Rly. Belpahar (Orissa).	M/s Kermaische Industries-Bedarfs-KG, Federal Republic of Germany.	Fireclay and High Alumina fractories.
5. (F)	M/s Polydor of India Ltd., Dhannur Building, Sir Phirozshah Mehta Road, Bombay-1.	M/s Polygram GmbH, Federal Republic of Germany.	Gramophone Records.
6. (F)	Mr Lokendra Singh Sahas, 4th Floor, 414/2 Veer Savarkar Marg, Bombay-25.	M/s Rudolph Muehna KG, 478, Warstein/Westfalen Elecktromaschinen, Federal Republic of Germany.	Components of Geared Mo
7.	M/s Bombay Furnaces Pvt. Ltd., 5 Stadium House, Veer Nariman Road, Bombay-400020.	M/s Ofenbau Fritz GmbH & Co. KG, 58, Hagen Steinhausstrasse 34, Federal Republic of Germany.	Bright Annealing Furnaces.
8.	M/s Jain Tube Co. Ltd., D-20 Connaught Circus New Delhi-110001.	M/s Karl Heinz Richter, Federal Republic of Germany.	Smaller dia Pipes and also Sli Line.
9.	M/s Vulcan Engineers Pvt. Ltd., Mahalaxmi Chambers, Bhulabhai Desai Road, Bombay-400026.	M/s Warmestelle Steine Und Erden GmbH, 4 Dusseldorf 30, Kleverstrasse 66, Federal Republic of Germany.	Annular Shaft Lime Kiln.
10.	M/s Bhartia Electric Steel Co. Ltd., 13/4 Mathura Road, Faridabad (Haryana).	M/s Huttenes-Albertus Chemische Werke GmbH, 4, Dusseldorf, Heerdt, Wiesenstrasse 23/64, Federal Republic of Germany.	Foundry Chemicals.
11.	M/s J. K. Steel & Industry Ltd., 4 Bahadur Shah Zafar Marg, New Delhi.	M/s Deutsche Edelstahlwerke GmbH, 415 Krefeld, Postfach 730, Oberschlerienstrasse 16, Federal Republic of Germany.	High Carbon Alloy Steel.
12.	M/s Richardson & Cruddas (1972) Limited, Byculla, Bombay-400008.	M/s Hermann Berstorff Maschinebau, GmbH, D-3000 Hannover, Postfach 629, Federal Republic of Germany.	Calendar/Extruder Line Equ ment.
13.	M/s NGEF Limited, Post Box No. 3876, Bangalore-560038.	M/s AEG-Telefunken, Federal Republic of Germany.	11 KV Circuit Breakers.
14. (F)	M/s Haripal Singh and Company, F-28, Hauz Khas Enclave, New Delhi-110016.	M/s BAC Import Export GmbH, 5 Koln, 1, Hansaring 24, Federal Republic of Germany; Comprising 'Bayrische Maschinen Fabrik-FJ Schlageter Corporation.	Finished Leather.

"F" Indicates cases involving financial participation also.

—Continu

	2	3	4
	M/s Siemens India Ltd. ,134 A, Dr. Annie Besant Road, Worli, Bombay-400018.	M/s Siemens AG, Wittelsbashorplatz, 2, D-8000 Muenchen 2, Federal Republic of Germany.	AC Synchronous Machine and DC Machines.
	M/s Bharat Heavy Electricals Limited, 18-20, Kasturba Gandhi Marg, New Delhi-110001.	M/s Maschinenfabrik Reinhausen, Falkensteinstrasse-8, Regensburg, Federal Republic of Germany.	Tapchangers.
	M/s Andrew Yule and Co. Ltd., 'Yule House', 8 Clive Row, Calcutta.	M/s Maschinenfabrik Beth GmbH, Lubeck, Federal Republic of Germany.	Air Pollution Control Equipment.
		India—France	
	M/s Laxmichand Bhagaji Limited, 169 Backbay Reclamation, Churchgate, Bombay-400020.	M/s Mavilor, Avenue De La Liberation Boite, Postale No. 13, 42-L Horme, France.	Crankshafts.
		India—German Democratic Republic	
	M/s Marwaha Industries, 3-4, First Floor Ajit Arcade, Lala Lajpat Rai Road, New Delhi-110048.	M/s VEB Werkzeugmaschinen-Kombinat, "7" Oktober, German Democratic Republic.	Super Finishing Units.
		India—Hungary	
	M/s Jessop & Co. Limited, 63 Netaji Subhas Road, Calcutta-700001.	M/s Nikex, Budapest, Hungary.	Aerial Ropeway.
		India—Italy	
	M/s Bombay Furnaces Pvt. Ltd., 5, Stadium House, Veer Nariman Road, Bombay-20.	M/s Societa Per Azioni Meccanica Di Precisione (SAMP), Italy.	Wet Wire Drawing Machines.
.	Mr R. Sitaram, 4/18, Shantiniketan, New Delhi-110021.	M/s Aholfo Rostan 10090, Cascine Vice, Torino, Italy.	Tyre Moulds.
		India—Japan	
.	M/s Tuticorin Alkali Chemicals, 24, Whites Rd, Madras-600014.	M/s Hitachi Ship-Building and Engg. Co. Ltd., (Hitachi Zosen) 47, 1-Chome, Edobor, Nishi-ku-Osaka, Japan.	Soda Ash/Ammonium Chloride.
.	The Managing Director Gujarat Indl. Inv. Corpn Ltd., Ashram Road, Ahmedabad-380009.	M/s Honshu Chemical Industry Co. Limited, Japan/Mitsui Shipbuilding Co. Ltd., Tokyo, Japan.	Cresols.
.	M/s Gandhi Parekh Investment Corporation Pvt. Ltd., Maker Bhavan No. 2, 18 New Marine Lines Bombay-400020.	M/s Nitto Kasei Co. Ltd., 369, Ni-Shiwaji Ohio, 2-Chom Highi Yojudowaku, Osaka (Japan)	Organ Tin Stabilizers.
.	M/s Hindustan Antibiotics Limited, Pimpri, Poona-411018.	M/s Toyo Jozo Co. Limited, Matsuda, Yaesu-Dori Building, 1-10, 7, Hatchobori, Chou Ku, Tokyo-Japan.	Penicillin.
		India—Sweden	
7.	The Director, Govt. Central Industrial Workshop, Mysore Road, Bangalore (Karnataka). (Composite case)	M/s Innemarketing AB of Sweden.	Electroped etc.
		India—Switzerland	
8.	M/s Southern Roofing Pvt. Ltd., 2, Anderson Road, Madras-6.	M/s Elda AG, Rathaus Platz 8750, Glarus, Switzerland.	Asphalt Corrugated Roofing Sheets.
9. F)	M/s Concast (I) Pvt. Ltd., State Bank Bldg. Annexe, Bank Street, Bombay-1.	M/s Concast AG, Zurich, Switzerland.	Continuous Casting Machines.
0.	M/s Ferrodie Limited Roxy Chambers, New Queen's Road, Bombay-4.	M/s Bracker AG, Pfaffiken, Zurich, Switzerland.	Die Filling Machine.
1.	M/s Searsole Chemicals Ltd., 175/B, Rajpur Road, Dehradun (UP). (Composite case)	M/s Krebs & Co. Zurich, Switzerland.	Calcium Carbonate.
2.	M/s T. Maneklal Mfg. Co. Ltd., P.B. No. 11068, Marine Lines, Bombay-400002.	M/s Zolling Maschinenbau, Ch. 9323 Steinach, Switzerland.	Controlled Tension Centre Winding and Unwinding Machines etc.

—Continued

"F" Indicates cases involving financial participation also.

1	2	3	4
		India—UK	
33.	M/s Bhogilal H. Bachkaniwala, Hiralal Colony, Ashwani Kumar Road, Surat (Gujarat)-395003.	M/s Ernest Scragg & Sons Ltd., Macclesfield, Cheshire, UK	Crimping Machine.
34.	M/s Alkali & Chemical Corporation of India Ltd. 26, Jorbagh, New Delhi.	1. M/s Imperial Chemical Industries Ltd., London, UK (2) M/s Plant Protection Ltd., U.K.	Grammoxone" Bipyridium",
35.	M/s T. Maneklal Mfg. Co. Ltd., Dinshaw Vachha Rd., P.B. No. 11062, Marine Lines, Bombay-400020.	M/s Sir James Farmer Norton & Co. Ltd., UK.	Vacuum Impregnating Machi
36.	M/s Shardlow India Ltd., Hazur Gardens' Madhavaram High Road, Madras-600011.	M/s Ambrose Shardlow & Co. Ltd., Ealing Works, P.O. Box, 129, Sheffield 59, IHR, UK.	Crankshafts.
37.	M/s Carborundum Universal Limited, 11/12, North Beach Road, Madras-600001.	M/s Birlec Ltd., UK.	Import of Designs for Furna
38.	M/s Jessop & Co. Ltd., 63, Netaji Subhas Road, Calcutta-700001.	M/s Mitchell Ropeways Ltd., Doncaster, UK.	Aerial Ropeway for Bokaro S Plant.
39.	M/s Blanden Cole, Division of Chemaux Pvt. Ltd., Sitaldevi Temple Road, Mahim, Bombay-400016.	M/s Arthur White Process Plant Ltd., England.	Fluid Bed Dryers.
40.	The Triveni Engg. Works Ltd., 1107, Ansal Bhavan, 16 Kasturba Gandhi Marg, New Delhi. (Composite case).	M/s Andrew Fraser & Co., London, UK.	Hydraulic Equipment for Sug Plants.
41.	M/s Simon-Carves India Ltd., 254-B, Dr. Annie Besant Road, Worli, Bombay.	M/s Simon Hartley Ltd., Stoke-on-Trent, Staffordshire, England, UK.	Certain Equipment used for Sewage and Effluent Treatme
42.	M/s Paper Mill Plant & Machinery Manufacturers Ltd., Jogeshwari Estates, 181, S.U. Road, Jogeshwari, Bombay-400060.	M/s Arrow Projects Ltd., London, UK.	Import of Design & Drawings the Manufacture of Paper Mac nery.
43.	M/s N. S. Sethuraman, Post Box No. 27, 175/1, Mount Road, Dhun Building, Madras-2.	M/s Brush Switchgear Limited, UK.	Pantograph Type and Switchi Isolators.
		India—USA	
44. (F)	Shri P. Prabhakar, 4-A, Conran Smith Road, Madras.	M/s Ermey Vineyards Inc., RFDI Wapto, Washington (USA).	Apple Concentrate.
45.	M/s Sarabhai Chemicals Limited, Post Box No. 31, Wadi Wadi, Baroda.	M/s E. R. Squibb & Sons, Inc., New York, USA.	Marcaine and its Formulation
46.	Mr H. K. Shah, 169, Backbay Reclamation Bombay-20. (Composite case)	1 M/s Stami Carbon, by (DSM) Hauge, Netherland and 2. M/s. Stone and Webster Engg. Corpn., New York.†	Phenol.
47. (F)	Mr Pentapati Pullarao Polavaram, (via) Midadavolu, West Godavari Distt. Andhra Pradesh.	M/s Bernard Wolf, 1642 Holbrook Road, Flossmoor, Illinois 60422 (USA)	Marine Produce/Deep Sea fishing.
48.	M/s Hindustan Machine Tools Ltd., HMT, P.O. Bangalore-560031.	M/s Cross Company, 17801, Fourteen Mile Road, Fraser, Michigan, 48026, USA.	Special Purpose Machines.
49.	The Managing Director M/s Gujarat Indl. Inv. Corpn. Ltd., Natraj Chambers Ashram Road, Ahmedabad-9.	M/s Phillips Petroleum Co., USA.	Carbon Black.
50.	Mr Satish C. Anand, Mahalaxmi Chambers Bhulabhai Desai Road, Bombay-26.	M/s Goodyear Tire and Rubber Co., Akron, Ohio, USA.	Vinyl P. Latices.
51.	M/s Swastik Rubber Products Limited, Swastik House, Behind Kirkee Rly. Stn., Poona-3.	M/s West & Co. Inc., USA.	Injection Bottle Caps and Rubber Stoppers.
52. (F)	Mr Vinod Sanghi, C/o M/s Chronomatic Industries Pvt. Ltd., Prakash Mills Compound Bombay-13.	M/s Ame Air Applianceso Inc., wholly owned by M/s Parker Hanniffin Corporation, USA.	Tyre, Tube Valves and Cores.
53.	M/s Systems Mfg. Pvt. Ltd., IA Peenya Industrial Area, Off Tumkur Road, Bangalore-562139.	M/s General Resources International Inc., 6340, Industrial Drive, Hopking/Minnesota-55343, USA.	Pneumatic Conveying Equipmen

ABSTRACT

1. Approvals involving financial participation	8
2. Approvals involving only technical collaboration	45
Total	53 (Including 4 composite cases

"F" Indicates cases involving financial participation also.

†Joint collaboration with Netherland/USA.

eastern
ECONOMIST

JUNE 20, 1975

aceless under pressure

At least such of us as had always suspected that there was something phoney about Mrs Indira Gandhi have no business to be surprised at her public conduct Thursday of last week when a judge of the Allahabad high court set aside ection to the Lok Sabha after holding that certain "corrupt practices" as defined the Representation of the People Act, had been proved against her. The quite rightly in the circumstances, had also granted an "absolute" stay enabling her to go in appeal to the Supreme Court, if she wished to do ithin a period of 20 days, without immediately attracting the consequences would otherwise have flowed automatically from his judgment invalidating lection. If she had any sense of what she owed to her high offce, she would put this interregnum only to its legitimate use. In fact, immediately after udgement was delivered, she should have left the capital for one of her rite retreats where she had been going for brief periods seeking respite from ares of her office or simply for the relaxation of a holiday.

ad she withdrawn herself from the capital thus for a few days, it would have clear and convincing proof that she was interested only in exercising normally right as a citizen to pursue the legal remedies open to her and that she had no r intention than that of seeing that the legal processes worked themselves out he approved manner. Instead, not only has she stayed put, but she has also rdered or even organized things that her official residence has become the core centre of a political campaign in which the judicial pronouncement of a high t is being discussed or even denigrated. This is being done even in street-er harangues by the aggrieved litigant herself, misusing her position and ortunities as prime minister, although it has been made clear in the meanwhile she would be taking her case to the Supreme Court.

While it is possible that behaviour of this kind constitutes contempt of court, plain, indeed, that it indicates rejection of the concept of the independence of the iciary and scorn for the principle of Rule of Law by the head of a government ch holds office by virtue of its members having sworn to uphold the Constitution our Republic. Of graver import still is the implication that a powerful political ty, inspired and actively directed by a resourceful, but not very scrupulous der, can unleash mass hysteria to an extent that is prejudicial to the mainte-nce of a judicial atmosphere in which the highest court in the land could give oper consideration to the legal issue or issues that may be raised before it when s Gandhi goes in appeal in due course.

While the immediate purpose of the rallies at the Safdarjung Road roundabout ay be to confuse issues between now and the time the Supreme Court may ally pronounce on the legality of Mrs Gandhi's election, her assertion that she one can lead the country on the path to economic or other progress and the sgraceful attempts which are being made by some of her party bosses—whose ivate fortunes and political futures, incidentally, are so much bound up with her maining in power—to brainwash the public into believing in the myth of the dispensability of her prime ministership to the nation are clearly of even more nister import. These demagogic manoeuvres surely come dangerously near to bverting the Constitution of our country which, so far as we know, does not em to have opted either for a life-time prime minister or a one-party state. It one thing for the politicians of her party or those who may happen to agree with em to argue that only Mrs Gandhi or, at least, only Mrs Gandhi *plus* the Congress ould ensure good and stable government in the country, although even this pro-osition is debatable seeing how the political winds are blowing, for instance, in ujarat, Bihar, West Bengal, Uttar Pradesh and Madhya Pradesh. It is quite a

different matter, however, for them to stake a claim, as they are doing, for the country settling indefinitely and under all circumstances for Mrs Gandhi's prime ministership so long as she is there or until she is physically or mentally incapacitated. If this view were to be accepted, there will be no need for the country to waste time and money on holding the next general election soon falling due or, indeed, on staging any general election so long as Mrs Gandhi is available for her present job.

In other words, any talk of "Mrs Gandhi, right or wrong" or, what is infinitely worse, the dictum that "Mrs Gandhi can never be or do wrong" is an insult to the self-respect of our democracy and a threat to the future of our people as a free and open society. This is why today and in the days that follow every one of us who realizes his or her responsibilities as a citizen of this country should set his or her face against the efforts of the prime minister and her minions, high or low, to "politicise"—an ugly word befitting an ugly situation—the judgment of the Allahabad high court to the advantage of herself and her party. Unfortunately for the public interest, few opposition parties or their leaders seem to realize what is really at stake. By prematurely and purely rhetorically demanding her immediate resignation, they have simply played into her hands and made it easier for her to manufacture an *ersatz* atmosphere of crisis and pose before the public as a much-maligned and relentlessly pursued and persecuted, but still fiercely embattled "she" in this International Women's Year.

It is obvious, surely, that there is no call on her to resign, except by personal choice or on her party in parliament passing a vote of no confidence", unless and until she fails, in the first instance, to secure a stay order from the Supreme Court when the Allahabad high court's stay order expires or, ultimately, to win her appeal. It has been urged in some quarters, including certain sections of the press, that public morality or political propriety or both required of her to resign from office after the judgment of the high court, although the legal aspects of the situation might not have imposed such an obligation on her. This is an extremely subjective point of view, given the particular circumstances of the case. It is also a very unrealistic position to adopt seeing that Mrs Gandhi has shown on more than one occasion that she, so to speak, can get away with murder and would never miss a chance to do so.

Finally, however deeply we may deplore the "politicising" of the Allahabad high court' judgment, we cannot but be telling ourselves that the Supreme Court's decision, when it comes, will have political consequences of the highest importance. If, as a result of that verdict, the prime ministership were to change hands, the ruling party, under its new leader, may be expected to be less aggressive and more accommodating in inter-party politics while planning its strategy for the next general election. In fact, it may even come round to the view that something like consensus politics will have to be brought about if it is to look hopefully to chances of its playing a central role on the post-election political stage.

Should Mrs Gandhi win her appeal, the scenario will be different. For and her party's politics are bound become more than ever strident swing into vigorous militancy on high ropes of what would be bille yet another personal triumph or poli victory, famous or otherwise. The back to her and her party in the re Gujarat elections, where the main position has emerged as the largest p in the state legislature and has b able to form the government, sho only lend urgency and force to a th by the prime minister to capitalise her dramatic political survival or birth by holding the next general e tion later this year rather than early n year so that the electorate will be ca ing its vote while the impression of immortality, inevitability and indispe ability is still fresh in its mind.

However, even October is a few mon away and there would be time enou for the prime minister to administer the populace a few doses of "radi medicine" which should de-sensit them to the blandishments of "reactic ary" politicians or parties. Mrs Gandh reminder to her Safdarjung Road asse blies during the last few days that it w she who nationalized the banks for t benefit of the paupers of this land cou

Eastern Economist 30 Years Ago

JUNE 22, 1945

The US Congressional Record publishes, under the heading "Indian Trade Muddle," some interesting correspondence between Emmanuel Celler (who sponsored the Indian Immigration Bill) Democrat for New York and Mr Will Clayton, Assistant Secretary of State. Mr Celler criticizes the British Empire sterling bloc as a contributory cause of the "inflationary movement rampant in India". His chief interest is, of course, in the Indo-American Trade, which is held up because "They (Indians) have dollars but cannot buy". He has information to the effect that England will continue to freeze India's Dollar exchange for several years after the war. If so, Indo-American trade will be throttled and something be done: "Something assuredly must be done and done soon to open the trade channels with India, for otherwise we shall missing glorious trade. The economic rep cussions are very important and serious. Sm and big business are watching the situation wi the utmost interest. Likewise labour has a vi stake in this attempt to bottle up the free flow our goods to India." It is of vital interest to u too, here in India. The US must in its ow interest secure a multilateral liquidation of o sterling balances. It is strange and tragic th our dollar exchange should be put in a so-call common pool and that we should have to beg f what we have a right to. Indian interests mu unite with American interests to break th Empire Dollar Pool and to secure multiater liquidation of Indian sterling balances.

ave been a wholly casual bit of iscence. It follows that, exciting e last few days have been in the politics of our country, thrills of an even more breath-taking kind may be around the corner.

he "Indigo" way

MANNER in which the government of a has been changing the export duty ute goods is not conducive to create nse of confidence either in the industry among importers and consumers ab-l. The industry has suggested that the ernment should give a long-term gua-ee that export duties would not be osed for a minimum period of 10 s. Though it may be too much to ex-t New Delhi to offer any such guaran-surely, the government could have dified the export duty in a rational and istic way. In May this year, it abolished duty on carpet backing but retained it hessian and sacking although it was te clear at that time that the continua-i of this levy was severely hampering ort. The jute industry had strongly aded for the abolition of the export duty all items. It had expressed disappoint-nt at the fact that hessian, considered "the sheet-anchor of the industry's ports", had not been given relief ough it was rapidly losing ground in reign markets due to competition from nthetics and Bangladesh.

The government has now abolished the port duty on hessian but has retained it n sacking. The removal of the export uty on carpet backing and hessian will nprove their competitive capacity to some tent but the industry feels that this is ot sufficient in the context of the stiff ompetition that is being faced in foreign arkets. The industry has suggested that, n addition to the abolition of the export uty, there should be some suitable subsidy to strengthen its ability to compete effectively. This suggestion deserves consideration in view of the declining trend in the export of Indian jute goods as shown in Table I below.

The share of jute goods in India's total export earnings was 19.6 per cent in 1967-68 and 16.1 per cent in 1968-69 but only 9.2 per cent in 1973-74. Even before Dacca devalued the takka, Bangladesh was underquoting Indian exporters of jute goods by about 10 per cent and large tenders for hessian and sacking from the middle east and African countries were going to that country. Table II shows the trend in the export of jute goods by Bangladesh.

TABLE II

Bangladesh Jute Goods Exports

('000 tonnes)

July-June	Hessian	Sacking	Total (including others)
1970-71	191.1	142.5	392.9
1971-72	89.4	114.5	238.9
1972-73	176.8	169.0	424.2
1973-74	152.7	205.9	443.2

Official statistics reveal that Indian jute goods are facing competition from Bangladesh in many important markets. The import of carpet backing cloth by the USA from India declined from 176,200 tonnes in the jute year 1971-72 (July-June) to 123,500 tonnes in 1972-73 though in the next year there was a small improvement to 127,600 tonnes. But the import of carpet backing cloth into the USA from Bangladesh rose sharply from 24,600 tonnes in 1971-72 (July-June) to 50,900 tonnes in 1972-73 and 53,900 tonnes in 1973-74. Mainly because of competition from Bangladesh, India's sacking exports to Africa declined from 74,500 tonnes in 1971-72 (July-June) to 33,000 tonnes in 1972-73 and to 26,000 tonnes in 1973-74. For the same reason, India's export of hessian to Africa dropped from 23,400 tonnes in 1971-72 (July-June) to 18,500 tonnes in 1972-73 and to 14,400 tonnes in 1973-74.

TABLE I

Declining Trend in Indian Jute Goods Exports

('000 tonnes)

uly-June	Hessian	Sacking	Carpet Backing	Other	Total
1971-72	2,76.7	1,41.2	2,23.9	64.9	7,06.7
1972-73	2,53.6	73.2	1,51.1	73.0	5,50.9
1973-74	2,21.0	1,02.1	1,69.4	72.7	5,65.2

At the beginning of June this year, a certain variety of carpet backing from Bangladesh was being sold at £264 a tonne compared with £ 282 by India and the price of another variety at £ 256 against £ 281. The mills complained about the accumulation of stocks amounting to over 10,000 tonnes of carpet backing and hessian a month. The jute industry has pointed out that it has paid in the last ten years Rs 240 crores as export duty and Rs 200 crores as excise duty and it has suggested that, in view of this contribution, the government of India should take a favourable view of its request for a suitable subsidy. But this plea should be considered in the light of the present position of the industry rather than on the basis of its past contribution to the exchequer. In the absence of timely and adequate assistance, the export earnings from jute goods may not pick up appreciably and it may give an impetus to the spread of synthetics and intensify the competition from Bangladesh.

The government of India has recently revised its price for the purchase of B. Twills from the industry. For the last five years the industry has been complaining that it has been compelled to sell to the government B. Twills at uneconomic prices. The Tariff Commission's formula had resulted in substantial losses to the industry because it did not take into consideration certain relevant and basic factors and did not provide escalation clauses. The Indian Jute Mills Association had pointed out that its members could not afford to bear the heavy losses arising from the supply of B. Twills to the government; and suggested that the latter should obtain its requirements at the average market price or negotiated price.

The Directorate-General of Supplies and

Disposals and the jute industry have recently concluded an agreement by which the mills have undertaken to sell 80,000 tonnes of B. Twill bags at Rs 355 per 100 bags. This deal seems to have created some satisfaction in the industry. But the fact remains the consumption of jute goods in India has shown a declining trend. The off-take in the domestic market was only 382,000 tonnes in 1974 against 445,000 tonnes in 1973 and 515,000 tonnes in 1972. Moreover, the foreign demand continues to be unsatisfactory. In the circumstances, the government of India should reconsider its policy towards the jute industry and provide it with sufficient credit and other facilities to enable it to improve its financial position so that it can expedite the schemes of modernisation and undertake effective research.

Mr P. N. Haksar, Deputy Chairman of the Planning Commission, said in Madras recently that unless the Indian jute industry gave proper attention to research it would go "the Indigo way". Mr Siddhartha Shankar Ray, the chief minister of West Bengal, has also made a similar statement. If however the jute industry ultimately meets with the same fate as indigo, it will not be because of its inadequate attention to research but due to the complacency of government authorities in New Delhi and Calcutta towards its problems. Research is, of course, important to the jute industry but at present its immediate concern is how to face the critical situation arising from the slackness in demand for its products and the heavy accumulation of stocks. When the representatives of the Indian Jute Mills Association, led by Mr B. G. Bangur, its chairman, met Mr Siddhartha Shankar Ray and Mr Tarun Kanti Ghosh, the Industry minister, on June 3, this year, they were asked to submit a note to the state government on the future of the jute industry. They were assured that after receiving the note, the state government would take up the industry's problems with New Delhi.

In the last few months, the jute industry has made several representations to the government of India and offered specific suggestions to enable it to strengthen its financial position. But it seems that the government of West Bengal has not been keeping itself posted with the latest developments in the jute industry despite its crucial importance to the state's economy. To expect the industry to take to research with enthusiasm at a time when—to quote IJMA—it is "in a stage of complete ex-haustion" and its capital base has b[een] "heavily eroded" is not realistic. [Not] only the industry but the governm[ent] also surely has a responsibility to ens[ure] that it does not go "the Indigo way".

A new export strategy?

THE GOVERNMENT of India has latterly been engaged in a healthy exercise aimed at promoting exports of different products with the provision of incentives, supplies of raw materials and easy credit facilities. The announcement of the policy relating to stimulation of engineering exports indicates how even a wooden bureaucracy can evolve really helpful measures and adopt a long term view. In spite of the fact that representations had been made to the government by the interests concerned in earlier years, the importance of securing raw material supplies at international prices and obtaining full drawback of import and excise duties was not recognised until recently. There were also difficulties in entering into long-term contracts for package implementation of schemes involving supply of machinery and the use of Indian technical personnel and it is common knowledge that many entrepreneurs have suffered heavy losses due to the implementation of contracts on fixed term because of variations in prices in raw materials and cost of services. The government has now agreed in respect of engineering exports that steel requirements should be available at international prices and it would not also be necessary to pay import duties in respect of raw materials and components covered by advance licensing. It has also been agreed that export finance should be available on a liberal basis.

It is expected that similar announcements will be made shortly in regard to the promotion of exports of other products. It has already been complained that general difficulties are being experienced in effecting shipments of cloth and yarn because of high internal prices for cotton. While tyre producers are finding it virtually impossible to export th[eir] products on account of extremely d[ear] natural rubber and other raw materi[als] the export subsidy scheme has b[een] changed suddenly without formulat[ing] alternative measures. The bottlenecks [in] different directions have to be elimina[ted] and what is more important to recogn[ise] is the fact that the required surpluses [for] export may emerge in some directions e[ven] with full utilisation of existing capac[ity] as is happening in the engineering, t[yre] and automobile ancillary industries.

It will not however meet the requi[re]ments of exporters if subsidies and dra[w]back of duties only were granted to t[he] interests concerned. It is imperative th[at] there should be an increase in aggrega[te] production in the industrial and agricu[l]tural sectors as unwanted imports can [be] avoided thereby apart from securing [a] significant reduction in manufacturi[ng] costs, with a high level of pr[o]ductivity and production. It will ce[r]tainly be necessary to promote expo[rt] oriented industries and encourage al[so] foreign participation in new ventures [on] liberal terms. But the activisation [of] existing capacity by itself can result in a[n] increase in output by 25 to 30 per cent [in] the next two years and a much more im[]pressive increase can be attempted wit[h] the installation of balancing equipme[nt] and elimination of defects in design an[d] functioning of machinery. The existin[g] manufacturers can even be encouraged t[o] conclude arrangements with foreign inte[]rests for undertaking the production o[f] new items intended for export. The ques[]tion is whether the government will b[e] prepared to act logically and permit fresh development in the public and private sectors in a manner which will make more effective the colossal investments already made in several directions. The test of its sincerity of purpose and pre[]paredness to adopt a flexible approach

be provided by its new decisions in coming months.

e estimates of trade deficits in the cur- and coming years have not however formulated correctly and it is some- surprising to note that the real signi- ce of the trade gap for 1974-75 has been understood. Against record ex- s of Rs 3,250 crores, imports accoun- for Rs 4,350 crores resulting in a gap s 1,100 crores. This deficit was un- btedly depressing in the face of an ex- ional record on the export front and is assumed that the export effort has e improved for financing regularly such e imports the increase in export sur- es will have to be of an order which call for a big increase in internal pro- tion especially if shipments have to be le at lower prices. It will certainly be isable to take a cautious view and ce greater emphasis on the boosting of orts and the stimulation of internal duction. But it will be overlooking realities of the situation if it is recognised that the trade deficit of last r was due to costly mistakes and ex- tional factors.

here is no precise estimate of the waste- use of foreign exchange for effecting ports of fertilisers, base metals and emicals at high prices. There is also clear estimate of excess imports. And n it be expected that food imports will ve to be continued on the scale of last ar? Even allowing for certain inevi- ble mistakes when violent fluctuations prices were taking place in the interna- onal markets, it cannot be denied that ere was unpardonable indiscretion or in- ficiency when concluding contracts for lossal purchases of fertilisers, non-fer- us metals and chemicals. It is only now dmitted that the imports of fertilisers d non-ferrous metals have been effected fantastic prices and the Minerals and Metals Trading Corporation and other gencies are having with them huge undis- osed stocks. While heavy losses have al- eady been incurred on earlier purchases n account of a sharp fall in international rices, even at the present levels excess tocks of different items may have a value f Rs 500 crores. If it is also remembered hat food imports were over five million tonnes, the scope for making suitable adjustments in imports with higher level of food output will be easily recognised.

The outlay on imports can certainly be not more than Rs 3,850 crores in 1975-76 as there will be the advantage of lower prices. The import of fertilisers and non-ferrous metals also can be drastically curtailed particularly if indigenous production can be raised significantly with a better use of existing capacity and newly created facilities. If food imports can be reduced by two million tonnes in the light of favourable developments in the coming months, the import bill can even be restricted to Rs 3,750 crores. It may, of course, be stated that even at this level there will be a large gap if exports cannot be increased adequately.

The target of Rs 3,500 crores fixed by the government for 1975-76 will surely be difficult of achievement. Except for the possibility of engineering exports being raised by Rs 100 crores and steel and pig iron accounting for another Rs 100 crores, other main groups may find it even difficult to repeat the performance of 1974-75. In respect of sugar and gunnies a big effort will be required to increase earnings due to fierce competition in the international markets which has resulted in a sharp drop in prices for sugar and keen rivalry for gunnies from synthetics. It may also be possible to improve foreign exchange earnings through package schemes and the lending of services of technical personnel. But the advantages in this regard are likely to be realised impressively only over a period.

Immediately, therefore, greater emphasis will have to be laid on the elimination of unwanted imports and on strengthening the agricultural sector. Even if oil imports cost an extra Rs 200 crores, savings can be effected in other directions which can still peg the import bill at Rs 3,750 to Rs 3,800 crores. With some difficulty exports can be raised to Rs 3,400 crores as there are adequate surpluses of sugar, gunnies, textiles, steel, iron ore, hides and skins and marine products. It will then be possible to restrict the gap to Rs 400 crores and avoid dependence on special assistance from the International Monetary Fund and other sources. It is therefore imperative that side by side with stimulation of exports there should be better management of imports with proper arrangements for purchasing critical items and special efforts to raise indigenous production.

FROM THE CAPITAL'
CORRIDOR

R. C. Ummat

Textile Exports • Bombay High Yield • Shipping Target

IF THE revival of interest of some of the important US buyers of our textiles is any indication, the recent slump in our textile exports may be overcome in the near future. The South-East Asian Regional Manager of the world renowned and the largest American departmental store, R.H. Macy & Co Inc., Mr Milan S. Teodorovich, expressed the view in an informal talk with me and a couple of other fellow journalists here last week, that with the uncertainties on the economic front nearly over in the United States as well as in several other advanced countries, the foreign buyers had resumed their purchases of cotton textiles and other consumer items. This should help in the revival of international trade in these commodities in the next few months.

declining exports

Indian exports can legitimately be expected to register an upward trend with the normalisation of world trade in textiles. They dropped from the peak level of Rs 37.4 crores worth in June last to as low a figure as Rs 12 crores in April this year. During the first 25 days of the last month, they amounted to no more than Rs 8 crores. This, indeed, has caused great concern to the union government which is anxious to step up these exports to as high a level as possible. In fact, this year's target for textile exports has been fixed at Rs 300 crores.

Another important observation made by Mr Teodorovich was that the Indian exporters were now following very closely the current fashion trends abroad. This is in a sharp contrast with the position about five years ago. The concerted efforts now being made by Indian exporters to study the needs of the foreign consumers and to adapt their production programmes to the changing foreign requirements, Mr Teodorovich said, should augur well for Indian exports.

The export prospects for Indian handlooms, Mr Teodorovich opined, were particularly promising. No other Asian country he asserted, could really compete with India in the handloom products.

Another helpful factor for the world trade in cotton textiles, Mr Teodorovich felt, was the trend in the western society to go back to the natural fibres. The western society was increasingly getting tired of synthetic materials.

Mr Teodorovich expressed the view that apart from the handloom products, there was a substantial demand in the western society for the Indian home furnishing materials — table cloth, curtains, bedsheets, etc. The interest in Madras fabrics was also reviving fast. These fabrics should be in increasing demand for the next year's autumn season. The peak in trading in them should reach some time in 1978.

fast changing trends

Mr Teodorovich also expressed the view that the colour trends, especially in the US, were changing fast. They needed to be closely watched. The colours currently in vogue were the earthy, warm and muddy ones such as shades of brown, green and blue. Very bright colours were no longer being preferred.

Mr Teodorovich further observed that there was good scope for stepping up exports from India of leather jackets and other items. But very tough competition had to be faced in this trade from South Korea, Taiwan and Hong Kong. Indian exporters he observed, wou well by paying greater attention t strappings of these garments — bu loops, etc. They were not only requir functional purposes but also for d tion purposes. In this field, and a the field of cotton textiles, what was n to be studied very closely in so far US market was concerned, Mr Teo vich's pointed out, was the preferen young men and juniors. These pre ces were a very important factor in s the fashion trends in the USA.

competitive market

The revival of foreign demand fo textiles, of course, is not likely to b only solution to the present difficult tion of our textile industry. Severe petition is there not only from the countries but it is also growing fast some developing western countries, p cularly Brazil. The competitive pos of our textile industry has weakened siderably in the recent years due to of adequate modernisation of our and our raw cotton prices being higher than the world prices. In circumstances, some incentives, there may have to be provided for compe ing the textile industry for its h cost of production compared to our petitors. It is, of course, encouragin note this fact is being increasingly rea by the union government. Some sures are expected to be taken in the future.

* *

The expectation that one million to of crude oil would be available fron Bombay High area next year may fully materialise. The development gramme of this oilfield is understoo have fallen behind schedule to some tent. As against the original sche of establishing production facilities

g 1.5-2 million tonnes of crude nnum from this area by the of 1976, these facilities, accord- the latest assessment, might be ished only by the end of December ear.

iew of the likely delay in the comple- f the above development programme, nderstood to be being taken up in ages. In the first stage, production ties are likely to be established at two by the end of this year and crude oil e extent of about 8,000 barrels per night be transported by tankers to the al refineries at Trombay. Some ional production wells are proposed drilled during the course of the next and by the time — end of December year — a collection platform is put nd the single buoy mooring system is pleted, sufficient wells would have drilled to yield an output of 30,000/ 00 barrels of crude per day — ap- imating to 1.5-2 million tonnes of e per annum. According to this gramme, not more than 0.75 million es of crude oil might be available the Bombay High area even by the of the next financial year.

he schedule for developing the Bom- High oilfield to yield 10 million tonnes annum by the end of 1980, however, is being adhered to. The entire development programme is estimated to cost nearly $600 million. Efforts are being made to have a loan of about $100 million from the oil-rich Gulf nations on commercial terms so that the work can be proceeded with expeditiously. In view of the substantial savings in the import bill which will result from the production of crude oil in the Bombay High area, the payment of commercial interest on the proposed $100 million loan is not considered to be a heavy burden.

* *

Even though the allocation in the last budget for the acquisition of ships has been curtailed a good deal, the ministry of Transport and Shipping is confident that with the relaxation of the curb on investment in shipping next year, the current Plan's target of raising the operative tonnage to 86 lakhs GRT would be nearly achieved. At the end of April last, our merchant fleet aggregated to 36,56,594 GRT, spread over 302 ships. Of these, 239 ships, aggregating to 35,55,492 GRT, were engaged in overseas trade and the balance in the coastal trade. Orders for 68 ships have already been placed. They will add nearly 18 lakhs GRT to the tonnage of the fleet at the end of April. An overwhelming number of the ships on order are expected to be in operation by the middle of next year. Approximately 50 per cent of the addition will be to the fleet of the Shipping Corporation of India and balance to the fleets of the other shipping companies.

With a view to making the realisation of the current Plan's target of augmenting our merchant fleet to 86 lakhs GRT, the ministry is trying to purchase a larger number of good secondhand ships than envisaged earlier. A firm decision in this regard is expected to be taken soon.

Of the present Indian-owned ships engaged in the overseas trade, only 22 ships cannot operate through the Suez Canal, which was reopened for traffic early this month. Due to the inordinate delay expected to be caused in the implementation of the Koyali expansion and the Mathura refinery schemes, some re-thinking is understood to be going on in the government on the acquisition of two very large crude carriers for which orders had been placed on Yugoslavia at the instance of ministry of Petroleum and Chemicals. These two crude carriers are of 2,69,000 DWT each. No difficulty, of course, is likely to be experienced in the disposal of the two carriers as demand seems to exist for them elsewhere in the world.

A doctor diagnoses dangers of brand abolition

Hon. Brig. Dr K.K. Datey, SEM

> Based on a speech delivered to members of the Rotary Club of Bombay recently.

THE ministry of Petroleum and Chemicals had appointed a committee under the chairmanship of Mr Jaisuklal Hathi to examine and report on the various issues and problems concerning the pharmaceutical industry. In one of its interim reports, this committee had recommended a phased abolition of brand names for drugs beginning with 13 groups of drugs to be prescribed under generic names. As a practising physician, I look at this recommendation as a serious and dangerous move, from the medical point of view, which will have very grave and dangerous implications, affecting the health of the millions in India. Unfortunately, however, neither the medical profession nor the opinion leaders in India seem to have realised the harmful consequences of such a move since this has a variety of technical implications. I shall analyze these below.

the difference

What is the difference between a generic name and a brand name? All drugs have three names:

(a) a *chemical name*, giving the general description of the chemically active ingredient of a drug,

(b) a *generic name* given by the research scientist to his particular discovery of the chemical compound having specific therapeutic value, and

(c) *Trade mark or brand name* given by the manufacturer of the drug, which is a special identification mark and also a guarantee to the consumer that he stands by the claims he makes for the quality and efficacy of his drug.

The following example illustrates this position:

Chemical name : 6-Chloro-3, 4-dihydro-7-sulfamoyl-2H 1.2.4, Benzothiadiazine-1, 1 dioxide
Generic name : "Hydrochlorothiazide"
Brand name : "ESIDREX"

To put it differently—

Chemical name : "Homo Sapiens"
Generic name : "Man"
Brand name : "Pandit Jawahar Lal Nehru"

Initially, there were only generic manufacturers. As pharmaceutical research and technology advanced, individual manufacturers took pride in improving a generic to make it more convenient and more wholesome, more effective and more safe, faster in action capable of effecting faster recovery. This is called formulation research.

technical points

The National Pharmaceutical Council of the United States has identified as many as 24 technical points where there can be minor variation from manufacturer to manufacturer—although the chemical ingredient may be the same. These 24 technical points are:

Vehicle; Disintegration; Solubility; Sustained release action; Stability; Purity; Potency; Taste (coating); Enteric coating; Allergic manifestations; Irritation; Caloric value; Particle size; pH; Surface tension; Viscosity; Compatibility Absorption; Packaging; Control numbers; Quantity of active ingredient: Tonicity; Melting point and storage.

No drug of any two companies can, therefore, be identical. In developing a finished drug, there are three main types of research involved:

(a) *Fundamental research* : Search for and introduction of drugs.

(b) *Development research*: In vating new processes for manufacture of drugs discove by fundamental research.

(c) *Formulation research*: Impr ing the efficacy and safety of established drug through n formlations and dosage forms.

advantages conferred

Formulation research confers a nu ber of advantages on a brand drug o a generic drug as follows:

Stability: Generic drugs can l their activity (which makes them usele or become overactive (poisonous) wi time. Stability ensures that drug acti will be consistent and stable for t maximum time. Constant stability every manufacturing batch is of i portance.

Purity: In addition to the acti ingredient, auxiliary substances have be added to make a medicine, as, f example, sugar coating. Sometim more than one active ingredient is incl ded in the same medicine to make it more effective combination. These acti ingredients do not interact with o another to make it less effective overactive.

Purity is relative. The search f purity is unending and the patient mu always get the best.

Absorption: Quick absorption essential to ensure speedy relief as i heart disease, colic, migraine, etc.

Rapid absorption is determined ofte by the size of the drug particles. Th finer the particles, faster the absorp tion, and faster the relief.

Vehicle: A drug action can be conveyed through a syrup, an ointment, tablet, or an injection. This vehicl

d be convenient. A syrup must latable. An ointment should not the clothes. A tablet must be l and sugar-coated. An injection ion must be soluble. In all cases lity with the active ingredient be assured. The potency of the e ingredient should not suffer.

bove all, the vehicle should not fere with 'release time' of the active edient to ensure speedy action.

Disintegration and solubility: Once he stomach, the drug should disinte- e rapidly. A tablet can be passed of the bowel without disintegrat-

Coating: Some active ingredients are royed by stomach juices. Formu- on research has resulted in "enteric- ting" of drugs which overcome this ect.

Sustained-release action: Some esses need relief over a long period, ., Migraine). Medication is to be eased in definite quantities at definite iods. One tablet can give relief m migraine for 12 hours. There are ny other stages in formulation earch which go into a brand name g, like pH, surface tension and cosity, which are too scientific for a cussion here. Even packaging plays art. Generic name manufacturers ve made no attempt to compete on y of these, and they have to only mply with the minimum legal require- ents. The minimum requirement of and names is higher than that of neric. And this is what makes a anded drug superior to generic.

stablishing standards

Quality control: The generic manu- cturer satisfies only the minimum legal quirements, whereas a brand product anufacturer establishes his own stand- ds, which are higher and more rigid an the minimum required by law. If drug does not conform to these stan- ards he rejects this drug, although it can ass off legally. Quality control should over all stages: The raw material stage acking material checks at the chemist's helf and random samples taken for eriodic checks. If variations are found, he entire batch is withdrawn.

How does all this benefit the patient nd help the doctor? The brand name nanufacturers compete among themselves in regard to the efficacy and quality of their drugs, to gain the confidence of the doctor and patient. Because of competition, the patient gets the best value and safety of the drug for his money.

The moral is: Because of these varia- tions, chemical identity of the medically important ingredient does not mean "*Generic equivalence*" in itself and can never assure *therapeutic equivalence*.

untrue theory

Bioequivalency means that if there is a chemical identity between two products then both should have equal therapeutic value. This is not true. Let us study an example:

Generic name :	Chloramphenicol (antibiotic)
Brand name :	CHLOROMY- CETIN

A few years ago, six firms in the US marketed "Chloramphenicol" at a lower price than "CHLOROMYCETIN" of Parke Davis—the discoverers of this drug. The Foods and Drugs Adminis- tration in the US tested these generic products and found:

1. "CHLOROMYCETIN" (the branded product) enters the blood stream *faster than the generic product*.

2. Clinical tests were *not conducted* by the *generic manufacturers* to show that their product was as efficacious as the original brand product.

The result was that FDA ordered and stopped the generic manufacture of this drug. Different brands of the same drug have resulted in different actions and often there have been after- effects which were not in the interest of the patients. A number of such cases have been quoted in medical journals. For example *Journal of the American Medical Association* (Novem- ber 18, 1968), has quoted different serum levels which were noticed by the demonstration of four different brands of Tolbutamide. In a diabetic patient this can be dangerous. This may be dangerous if a patient is taking Drug A on which he is well controlled. Then, if he is given by the chemist Drug B, he may go into hypoglycaemia with serious consequences. Similarly, *The Clinical Medicine* (December 1969) has reported varying serum levels from four different brands of tetracycline. Antibiotics are life-saving, and lower concentration of the drug in the blood may cost the patient his life.

I give below the dangers of brand abolition.

Patients will get drugs of the mini- mum quality, *not* drugs that are the result of advanced formulation research and technology.

The minimum quality drugs may not be as effective and may produce side- effects—immediate or long-term.

Drugs may not be palatable or fast- acting.

The patient is at the mercy of the chemist. Even if a doctor prescribes a generic product and specifies a manu- facturer, the chemist can give an equi- valent from any other manufacturer of his choice.

The danger is that an unscrupulous chemist may be tempted to offer the drug of a manufacturer who gives the highest margin of profit.

Manufacturers of spurious and sub- standard drugs can offer higher dis- count to the chemist, as they buy the cheapest raw materials which are often not of the standard quality. Production may not be hygienic; with no formula- tion research and quality control.

unscrupulous benefit

The abolition of brand names will be a heaven for spurious and substan- dard drug manufacturers.

Generic prescribing will have compli- cations, particularly for those who are on prolonged treatment. Each time the chemist gives him a different manufac- turer's product, there will be varying effects of the treatment. This will be very hazardous especially for heart patients and patients with infective diabetes.

Brand names help competition and competition helps innovation, discovery and quality. There is no better assurance to the patient about the efficacy of the drug which he consumes.

Compulsory generic prescribing will

kill the manufacturer's incentive to achieve product excellence and quality standards far above the minimum legal requirements.

No government regulatory and control machinery can assure the quality, safety and therapeutic efficacy of all generic drugs.

In fact, in our country today, drug control facilities are very inadequte. This has indeed been acknowledged in various reports, official and unofficial.

Another fact to remember in this connection is that many of the units licensed to produce drugs do not actually exist. For example, out of the 3,200 units licensed to formulate drugs, as many as 800 are reported to be untraceable. The Report of the Committee on Drugs Control (1966) of the ministry of Health and Family Planning, has stated: "By and large, the smaller units, being housed in residential buildings, are not designed with the necessary layout for pharmaceutical manufacture. Except in a few units, attention was not paid to the hygienic conditions in the plants as well as in the surrounding areas...in a number of small units, the equipment provided for the manufacture of pharmaceuticals was not of the type that was necesasry for manufacture of particular types of drugs."

"The maintenance of the equipment was on the whole poor... in some units, ampoules were not properly washed and sterilized before filling...Ampoules were cut and washed and filled without further sterilization."

untested raw material

"In a number of units, the raw materials were not tested at all before their use in the manufacture, while in others they were partially tested... the committee came across many instances of fake records and cooked-up results."

Even the Hathi Committee in its interim report has commented on the insufficient drug testing facilities in our country. To quote extracts from this report:

"Although the Drugs and Cosmetics Act has been in force for nearly 26 years, the level of enforcement in most of the states is far from satisfactory."

"The following states have no facilities of any type of testing any drugs: Orissa, Chandigarh, Delhi, Goa, Himachal Pradesh, Pondicherry, Tripura, Manipur.

"These states have facilities only for testing non-biological drugs: Andhra Pradesh. Bihar, Kerala, MP, Punjab, Karnataka, West Bengal, Assam.

"Only Maharashtra, Gujarat and Tamil Nadu have facilities for testing all categories of drugs."

Even the medical panel appointed by the Hathi Committee to go into the question of brand abolition has stated: " This change-over from brand names to generic names may result in the increase of spurious and substandard drugs."

Of over 1,05,000 batches of drugs manufactured in a year, only 7,000 can be tested today and even at the end of the fifth Plan, this can be increased to only about 27,000. By then the number of batches of drugs produced would also have increased to almost double. In the US the annual expenditure for drugs control exceeds Rs. 350 crores—equivalent to the total cost of drug production in India.

Pak experience

What is the experience in other countries? The only country which has experimented with brand abolition is Pakistan. Pakistan introduced generic prescribing on April 1, 1973. The government is now allowing more products to be marketed under brand names. The total number of drugs allowed to be marketed under brand names in the country has already reached the figure of 341. The Pakistan government's declared objective was that this would lead to price reductions. This completely failed. Hundreds of spurious and substandard drugs appeared on the Pakistan market after April 1, 1973. The menace of these substandard and spurious drugs has reached such proportions that some labour unions, while signing agreements regarding medical facilities with their employers, have specified that only drugs manufactured by renowned companies be provided to the workers.

Here is a quotation from *Scrip*, UK (November 28, 1974) on the Pakistan experience:

"What started 18 months ago in Pakistan as a scheme to reduce standardise drug prices has turned a national scandal ....

"*Prime Minister Bhutto ordere thorough enquiry into what he calle 'Fraud to the Nation'*.

"Spurious and substandard d worth millions of rupees have floo the market, posing a serious threat the nation's health.'"

impotent drugs

"The supply of low quality and e 'impotent' drugs has increased mani after the government introduced 'gen names' instead of the 'brand names' bring down the standard drug pri But the scheme seems to have failed far. With the abolition of brand nan there is no compulsion for these w known firms either to maintain the st dard or protect their reputation.

"It has proved a blessing in disgu to the 'ghost' manufacturers and 'mu units' which, though registered, inadequately staffed and poorly equ ped.

"While there is a sharp decline the quality of generic drugs, the pri have stubbornly stuck to the pre-gene levels. Moreover, many life-saving dr are not manufactured locally and smuggled imported brands are being s at prohibitive prices. Leading doct are saying that they had, in some cas to treble the doses to patients to the desired results. Other doctors ported adverse reactions on patie who were administered spurious dru A Karachi druggist remarked that an biotics have lost their potency by per cent."

What is the picture in social countries? even socialist countries like USSR and others in eastern Europe switching from generic to brand nam The state-run manufacturers are impro ing generics by incorporating formu tion research. They import only dru with brand names.

In Latin American countries, to public health medicine schemes a being based more and more on brand products to increase patient's con dence in these schemes, and the presti of these schemes. For instance, t government of Peru recently refused switch over to generics for social me

because brand names contribute success of the social medicine e.

ne Halthi Committee has recomed brand abolition for the followroduct groups: Chloramphenicol; cycline; Ferrous sulphate; Aspirin; rpromazine; Tolbutamide; Reser- Analgin; Piperazine; Crystalline illin G; Streptomycin; INH tablets Tablets INH+Thiacetazone.

he World Health Organization has d that bioavailability studies are rtant for the following categories of lucts:

nti-infectives including antibiotics; oids: Anti-epileptics; Cardiac glyco-; Hypoglycaemic agents; Coumarin -coagulants; and Anti-inflammatory gs.

the basis of the WHO study, as many ine drug categories of the 13 sugges- by the Hathi Committee are those ducts where bioequivalence has not n established. In other words, the IO has said that the therapeutic lts of these drugs will vary from nd to brand and, therefore, a generic of these may have different results reactions. You can just imagine the ger to your health.

Scientific evidence in the US has confirmed: "Current standards and regulatory practices do not insure bioequivalence for drug products."*

The same OTA report further states: "Variations in the bioavailability of drug products have been recognized as responsible for a few therapeutic failures. It is probable that other therapeutic failures (or toxicity) of a similar origin have escaped recognition."

"Present compendial standards and guidelines for Current Good Manufacturing Practice do not insure quality and uniform bioavailability for drug products."

In January 1973, the Office of Food & Drug Administration (US government) stated: "It has now been established that different formulations of the same drug may produce differing concentrations of drug in body tissues or fluids when tested under standardized conditions, even though the formulations may meet current standards for *in vitro* testing... "It is not possible to specify at the present time the frequency with which lack of equivalence in bioavailability of chemically equivalent formulations may occur."

Let me summarize the dangers if brand names of drugs are abolished:

You will have no assurance that the drug you take will have therapeutic response your doctor has expected, and neither will he be in a position to ascertain this.

The spurious and substandard manufacturer in this country will flourish. And, every time you fill a prescription, you will have no assurance of its quality or efficacy—leave alone a cure for the ailment.

Even the quality-conscious manufacturer will lose the incentives for quality competition. He will only meet the minimum legal requirement. The loser will be the patient.

The doctor or the patient will have no method of establishing which is a genuine drug and which is not. And the government has even now no adequate machinery to check and control the problem of spurious and substandard drugs.

The final result will be that we will learn by our experience what Pakistan has already learnt—and what prime minister Bhutto has termed a "fraud to the nation".

*Report of the Office of Technology Assessment (OTA)—Congress of United States, Washington D.C., July 1974.

Management education : impending issues

Dr N.V.R. Ram

ANAGEMENT education in India began fifties, but gained momentum only in e sixties. Today India has good exrtise in management education, traing, consultancy and research. Many ganisations are carrying on manageent education. At the all-India level, o national institutes of management me into being in the early sixties in hmedabad and Calcutta. Two more ch institutes were established in 974 in Bangalore and Lucknow. Bedes, various institutes like the Adinistrative Staff College, National nstitute for Training in Industrial ngineering, the National Productivity Council, etc. have all joined the business of management education. Thirty university departments and the two institutes at Ahmedabad and Calcutta produce annually, nearly 1000 MBA graduates.

However, the need and demand for the MBA type graduates is said to be more than the supply. In the context of our national literacy rate going up from 25 per cent to 29 per cent only for the decade of 1961-71, and in the wake of enormous increase in the colleges and universities in India, management education can be said to be providing education to the elite. Its contribution to increase in educational levels is minimal and how it contributes to national development is to be researched. Like the degree and professional education, management education is also at the cross-roads. Notwithstanding the happy position of demand being greater than supply, the business of management education will have to face certain issues some time or the other. Attempt is made in this article to analyse the issues to be faced which are impending but imperative.

Management education has become

an elite education. To enter into any of the well-known management institutes in India, the candidate needs to come from the upper middle-class, English-educated society. The tests which have been designed to enter these institutes are by themselves in favour of the type of young men and women who have this background. Therefore, those who who enter into this field are necessarily those who are already in higher income brackets of India's upper strata of society or those who are trying to make a break-through from the lower middle-income class to the upper middle-income class. In the wake of declining standards of university education, demand for management education becomes high, but the entry point for this education has become narrow. Those who get entry into it have at once an euphoria of higher income. It is well-known that an assurance of a minimum salary of over Rs 1000 for graduates of well-known management institutes is often stated as the plus point of these institutes.

The elites who enter into this education do not necessarily go into areas where this country needs them. The demand for them lies in areas where they can get higher salaries. Marketing, finance, public relations have more attractive offers than production, industrial relations, public administration etc.

broader question

It is the basic education for many that can fit them into our society as managers and entrepreneurs, to produce the needed goods and services. A broader question that arises in one's mind is; why "excellent" education to few when basic education to all is not even attempted? Granting that this "elitist" education is needed for the few, the present situation needs crystal gazing into the future. It is this which brings us to the corporate image of management education.

The management institutions in India have a corporate image. An image that gives high value for their products, compared to the products coming out from the university departments of Business Management. Therefore, management institutions can be said to belong to a class by themselves. They were not graded as such, but they have become so because of difficult entrance standards, salary to be obtained after graduation, and the internal environmental benefits by way of placement etc.

The universities, by their predicament of being restrictive through their basic statutes cannot competewith the management institutions. To that extent, university departments of Business Management suffer disadvantages. Other disadvantages for a university department are the lack of touch with the business world and industry for which they are producing graduates.

Management Development Programmes (MDP) also called Executive Development Programmes (EDP), have become a business proposition. Many of these are run in hotels and some companies view it as one of the perquisites to be granted to the employees. To the management institutes which float these courses, apart from the education component, it also serves as revenue earner. The revenue thus earned enables these institutions to function in a liberal manner not fettered by the usual government rules and regulations.

commercialised education

Encouraged by the demand for the MDPs/EDPs, many institutions of commercial nature, and even individuals have started floating their own MDPs in good hotels. The results of any Executive Development Programme, or the benefit derived from it, are difficult to assess. Questionnaires are circulated to participants for a feedback. It is natural to expect the participants to be positive and not say uncomplimentary things in any questionnaire. Any critical statements, apart from being inconvenient to the host, will also have a negative effect on the participant himself. He may not be sent again to similar courses. Therefore, it is better to say nice things. Negative observations are made guardedly by some participants, in some oral evaluations done at the end of a programme as a discussion session.

To some extent, the demand for these Executive Development Programmes is generated by the companyies need to spend money on training programmes and the need of the management institutes to look for areas wherein they can float it. The company's needs and the individual's needs meet when a company decides that training needs to be given to certain personnel in the company. Besides, it is a fashion for the companies to send their employees to various management development programmes. In

this way, ironically the value o
course is often measured by the an
of fees charged. If a person is re
mended for an executive develop
programme for which Rs 6000 is ch
he feels elated comparing himself t
other colleague in the company
had been recommended for an exec
development programme for which
fee was only Rs 2000. The hote
which it is held also becomes a
symbol.

prestige issue

There have been situations w
in higher hierarchical level
ployees have found themselves t
an MDP course in a less expensive
when to their embarrassment an
course being taken by their
ordinates is held at an expensive
hotel. The atmosphere of lea
becomes secondary, but the loca
the institution, and the exp
benefit, if any, upon return from
an executive programme take a pr
nent place in the mind of the particip
In certain circumstances, an MDP
comes an opportunity for a compan
keep an employee "off the premises
some length of time. It is widely
that some companies have professi
"seminarians". Perhaps this exp
the background of some executives
will have taken all conceivable
programmes and thus lent themselve
becoming "overtrained".

Very often companies have
relationship or coordination with
institutions which float these program
The executive development program
are imported from the managerial
ture of the west. The syndicate met
the group discussion, "T" Group
all the other practices that go into
are to update the knowledge of mana
Whether these have any relevanc
Indian conditions or not is a diffe
question.

Another form of MDP is c
Organisation Based Programme (O
or Unit Based Programme (UBP). T
programmes are to be designed "ta
made" to a particular company/unit.
company can take it as a part of
Management Development Progra
and ask the institute to conduct suc
programme for it at the company's
mises. It is also conducted at the
mises of the institute for a spec
period of 4-6 weeks or more. T
programmes have certain advantages

the requirements of the com- are met in so far as it is stood in the negotiations, strength- by further visits by the faculty. ver, many companies have their training programmes and reliance anagement institutes for running an is on the decline. On the other , the training division of the com- tries to arrange for guest lectures a management institution to ful- e needs for any expertise in the field management science. Some com- es even scoff at the MBAs and agement education, to the extent of ng a prospective MBA that the ger of his imbibing a culture different n that of the company's may make his ability dubious.

Demand for management education rising and there is no decrease the number of applicants. To t the demands, more institutes be opened under pressure. Business nagement courses may even be installed n one faculty in a university, the er inputs being given by outsiders. metimes, an MDP is being run by e person, in a hotel, with the help of guest lecturers. All these portend the direction in which the culture of management education is progressing. Do we want this status to continue? Is management education so sacred that it can be given only by specialist institutions when the demand for it is countrywide. Or. are we aping the western culture of management education to follow the disastrous results of such imitation in the field of medicine and engineering? How can we restore the abdicated responsibility of universities in this field?

The "excellence" derived through management education fits people to certain types of westernised culture and way of living as managers. Do we need this, specially when our commitments are in the sectors of production rather than marketing; creation of demand in certain welfare sectors (eg. family planning) rather than creation of outlets for supply?

The cost of management education is also a matter for consideration. Each management graduate is produced at the cost of Rs 80,000 or more, and then it is found that he requires a certain type of atmosphere and position. It is only then, he can fit himself into the environment into which he is thrown. As in medical and engineering education, it won't be too long before we find that the management educated graduate finds himself at bay. Do we have to wait till then to wake up and think of doing something?

There is talk of "bare-foot manager" by Prof Sharu Rangnekar; there is also the much-talked-of need for "basic-doctor"; and there is also an idea of "functional engineer". These ideas have not found any functional application. But they imply recognition of a problem calling for solution. Good management needs to forecast and do forward planning before an eventuality faces it. After all, what is taught by these educationists in the area of corporate planning needs to be applied in their own field. Instead of reacting to a situation one needs to anticipate the impending issues. Otherwise, the business of management education will face attacks not from competition, but from obsolescence in a social set-up wherein its relevance will become increasingly far removed from the requirements of our society.

Where "don'ts" exist, but "dos" are important

V. Balasubramanian

WEDNESDAY, May 21, early in the ning, a band of terrorists gunned n two American colonels of the US tary Mission to Iran almost at the -steps of their home in north Tehran ey were being driven to their place of . The murdered men were Air e officers serving as advisers to the ian Armed Forces. Both of them aged 45, married and had young dren. One of them was about to plete a two-year tenure of duty and planning to go home shortly and had fact already sold off his household cts in preparation for his and his ily's departure.

he police were fairly prompt with a

WINDOW ON THE WORLD

tailed description of the slaying. It s reported that a gang of three men and woman, who was sister to one of them d perpetrated the murders. They am-ushed their victims by using two stolen rs, one of which blocked the path of the hicle in which the Americans were avelling, while the other rammed it om behind. After ordering the driver the cornered automobile to lie down on e floor of the car, the gunmen mowed own the two Americans with machine-n fire.

The security forces were soon asserting at they had important leads and had dentified the assassins, who were being racked down and would be arrested vithin a matter of days. I left Tehran on the evening of May 29 without having the satisfaction of learning in print that the assassins had been captured.

I have no doubt however that the Iranian government will spare no effort to bring to book the perpetrators of this dastardly outrage. The assassination had angered the Iranian people as much as it had shocked and saddened them. The Majlis, in condemning "this disgusting outrage," clearly spoke for the nation. In Washington, President Ford expressed "deep regret", while the State Department, said that it was confident that these murders did not represent "the sentiments of the Iranian people toward the Americans serving there."

For the Shahanshah, who returned to his capital from a tour abroad on the afternoon of the day of murder, a few hours after the slayings had taken place, it was indeed a poignant home-coming. He had been in Washington a few days earlier and Tehran had learnt to its satisfaction that he had had frank and fruitful discussions with the President of the United States on strengthening the good relations and cooperation between the governments and peoples of the two countries. The first thing he did on landing in Tehran naturally was to order the vigorous pursuit of the assassins.

The Iranian government, through its spokesman, lost no time in declaring it to be its considered opinion that "the

This is the first of a series of articles recording impressions of a recent visit to Iran at the invitation of the ministry of Information and Tourism of the Imperial Government of Iran.

perpetrators of such crimes found their evil inspiration from outside Iran's borders and served anti-Iranian causes." The newspapers too were quick to underline what they suspected to be the bloody hand of international political terrorism in the killings. *Kayhan*, for instance, declared that the murder was plotted and executed as a means of undermining Irano-American friendship. This newspaper, however, was confident that the tragedy, if anything, would only strengthen the basis on which cooperation between Iran and the United States had developed.

need for vigilance

Predictably, both public opinion and the press drew certain inferences. To quote *Kayhan*, again, "the murder should serve as a warning to all those who, hiding behind masks of pseudo-liberalism, have sought leniency vis-a-vis such out and out killers." The newspaper called for greater vigilance against subversive elements who, inspired by Iran's foreign enemies — as it put it — sought to disturb the nation's peace and progress. The editorial also allowed itself a dig at "certain so-called foreign liberal newspapers" which, it said, "preached appeasement and half-hearted measures against such anti-social and anti-Iranian elements." It concluded by asserting that the killings proved that a tough policy was the best one to pursue in dealing with saboteurs and terrorists and urging the government to take strong action against subversive elements.

It is relevant at this point to refer to the observations made in Washington by the Iranian ambassador to the United States, Mr Ardeshir Zahedi. After saying that he had no doubt that "our authorities will spare no effort to bring these self-pro-

claimed terrorists to justice," Mr Zahedi referred to "those among our friends who equate such acts of brutality with political prisoners" and expressed the hope that "they will now realize the true nature of their (i.e. terrorists') activities." The spokesman of the Iranian embassy in Washington, commenting on the ambassador's observations, explained that newsmen had asked the Shahanshah, when he was in Washington earlier, about political prisoners in Iran. The spokesman said that "those irresponsible Marxists, who murdered the two Americans, belonged to the same group of people who were in Iranian jails and who were inspired from outside Iran's frontiers to commit such acts."

It seems to me that, while Iran's police or other security forces will certainly engage themselves relentlessly in hunting down the assassins responsible for the outrage of May 21, as well as the terrorist group or groups which may be behind them, there is not much likelihood of the government of Iran becoming excessively repressive in its policy of dealing with threats to internal security or attempts at sabotaging Iran's relations with friendly foreign governments merely as a result of the provocation offered by the murderers of the American colonels or the conspiratorial group or groups which might have organized the crime. This is for the reason that this policy has been firmly established in its essentials by the Shahanshah after the most careful consideration by him of where the best interests of Iran and its people lie according to his judgment, and is therefore unlikely to be chopped and changed every now and then.

basic purpose

The first purpose of this policy, admittedly, is the upholding and safeguarding of the country's constitution which vests the monarchy as a hereditary institution in the Pahlavi dynasty and declares the monarch to be the Head of State with absolute authority to dissolve Parliament and order fresh general elections, appoint the prime minister, grant or withhold royal assent to acts of Parliament, function as the Commander-in-Chief of the Armed Forces and declare war or conclude peace treaties.

Next comes the objective of ensuring that the Shahanshah is in a position to frame and pursue the country's foreign policy or its relations with other countries or their governments along the lines he considers to be most relevant to the integrity of national frontiers, regional security and Iran's place in the world's political and economic order.

Finally there is the aim of securing that high degree of internal peace and national unity necessary for Iran exploiting fully its economic resources and possibilities for the promotion of national wealth and the generalized well-being of the people through rapid improvement in their standard of living. For at least some fifteen years now the Shahanshah has shown a clear will, an iron determination and, above all, an amazing capacity to impose effective control or exercise decisive force on such political trends, attitudes or activities as may constitute or are potentially capable of constituting a threat to these basic goals.

responsive to needs

At the same time it cannot be said that the Shah of Iran or his government is insensitive to criticisms abroad of the authoritarian character or aspects of the political order in that country. On the contrary, efforts are continuously being made to demonstrate that, within the limits set by the demands of security, both internal and external, the Iranian state and its organs are greatly concerned about being responsive to the needs or aspirations of the Iranian people and responsible for serving those needs or fulfilling those aspirations. While, on the one hand, it is being frequently affirmed that the government does not consider it any part of its duty to encourage or even tolerate opposition for its own sake, there is substantial acceptance of the role of public opinion or its institutions, including the press, in exposing or criticising corruption or inefficiency in administration or business.

In this sense the press does seem to enjoy some measure of freedom. There are no doubt some easily imagined and very well understood 'don'ts.' Neither the institution of the monarchy nor the absolute authority of the Shahanshah, for instance, is to be challenged or questioned in any manner. Heads of state or governments of friendly countries are not to be attacked or violently criticised. Attacks on the integrity or criticisms of a personal nature are not to be made on ministers or high officials of the government. These prohibitions are perhaps more rigorously applicable to publications in foreign languages as compared to those in Farsi (Persian) but, in all cases, there is operative a strict code of conduct for the press which, in a way, amounts to quite effective pre-censorship.

Within this general framework of restraint or restriction, however, the press could still function with a high degree of usefulness according to its own lights. During the period of my stay in Iran I often found the English language newspapers *Kayhan International* or *The Teheran Journal* writing forcefully about deficiencies in planning or the administrat There were attacks on failures or la housing or irrigation programmes, as demands that the government shoul much more than was being done to pand infrastructure facilities in the nomy or train manpower in the pr sions or skills for which the nation's pidly growing economy was developi voracious appetite. I also found newspapers complaining of red tape in administration or bureaucratic inepti or inertia especially at the middle or l levels. Cases of corruption among offic or dishonest conduct or criminal pract in the financial or business commu were also being freely reported. So evils such as profiteering were being g considerable adverse publicity.

I would readily concede that all does not exactly amount to an open ciety or a free press as understood western democracies or is so far functi ing in countries such as, say, our o but I would suggest that the Iranian pe or institutions do enjoy a measure of f dom or liberty to live their lives or p form their functions subject to conce of state authority largely or perhaps e overwhelmingly accepted in the comm nity as being necessary and desirable the security, both internal and extern of the Iranian nation or its purpose pursuit of economic progress and soc welfare.

unique authority

This acceptance owes a great deal the personality of the Shahanshah. has been argued that the institution absolute monarchy based on the conce of dynastic rule has been the core a substance of Iran's ancient political c ture and that the people of Iran have fact never known any other philosophy politics or system of government. I mu confess that I have not researched enou into Iranian history or political cultu to express agreement or disagreement wi this view, but it seems to me that, as many other lands, monarchies have be dethroned or dynasties overthrown Persia, both ancient and modern. I wou therefore surmise that the Shahansha owes his unique authority and status the Iranian nation not so much because any particular Persian historic concept tradition, as because of his wholly pe sonal significance and relevance to som of the basic needs of contemporary Ira and its people.

In the world of today there are n many countries of which it could be sai that they have in their rulers men or wome who may clearly be seen to be the righ people in the right place at the right tim Iran perhaps is one of the very few coun

which has for its law-giver and chief ·utive a functional head of state who man of destiny in a larger sense than rely personal one in that he may well his country far in the pursuit or fulent of its own destiny. Much has said or written about the nurturing he regal future that was in him by his er who was also the founder of the asty or of the stirrings of his potential ng the years he spent at the exclusive Rosey School in Switzerland. However, essential making of the Shahanshah, we know him today, seems to belong to ch more recent history. I myself would ne this period as beginning from early sixties, when he first became fully nizant and confident of what his councould achieve for itself and what he ld achieve for his country. The phrase e revolution of the Shah and the ple'' is no doubt only far too familiar the official literature of Iran, but it is any the less of a political, economic l social reality for that reason.

volution from throne

t was in January 1963 that the Shahanh announced a "Revolution from the rone." Body and spirit were given to s revolution by a series of fundamental orms which were designed to change the nomic and social structure of a largely dal polity into that of a modern, hnology-oriented, industrializing welre state. First and foremost of these rems was the abolition of landlordism the villages which transformed more an 12.5 million share-cropping farmers o land-owning peasants who could ove promptly forward from subsistence riculture into a market economy. The amatic character of this new deal for an's countryside was spectacularly highghted by the fact that its starting point d moving force was the gifting away of e royal estates by the Shahanshah to e peasants who worked on them. Folwed the progressive liquidation of large nded estates, mainly through a process persuasion aided however by necessary oses of pressure in the form of legislative nactments.

This development prepared the ground or Iran's economic growth in two ways: promptly pushed up the purchasing ower of more than half the nation and at he same time liberated the energies of as hany people for working for their contiuing economic and social progress. In olitical terms, this abolition of landordism enlisted for the Shahanshah the massive support of the people in the counryside since they at once saw in him an nlightened ruler who was both willing nd able to use his absolute power for resuing them from their age-old feudal tatus and poverty and giving them an opportunity they never had of participating according to their abilities in the work and progress of their national community. Thus, at one stroke, the monarchy in Iran succeeded in creating for its sovereign authority an enormous popular base among the rural population.

Equally important was the emancipation of women, a movement in which the Shahbanou (the Empress Farah) has been playing an inspiring and dedicated role. Once again half the life force of the nation, confined by the customs and taboos of centuries that had crushed the spirit or energies of the women of the land, was released to realise its potential and play its part in the social and economic life of the country. Women have been given the right to vote and the right to education. Girls have been drafted, along with boys, for national service and for participating in Literacy, Health and Development Training Corps. Inevitably, this development is leading to the discarding of the "chador" or the "purdah", as more and more young women seek employment in government or other offices or factories and come increasingly under the influence of urban life or the demands of urban living. Naturally these newer generations of women are not inclined to be critical of a political order which has taken them so swiftly and smoothly into the twentieth-century world. On the contrary they seem to find good reason to be faithful and kindly disposed towards a dispensation which is making it more and more easy for them to establish their feminine individuality without any traumatic break with their traditional culture as expressed in various institutions, including the family.

popular lease

I had mentioned earlier that the land reforms had created a vast popular base for the monarchy and, in particular, the personal power and authority of the Shahanshah. Normally, the big landed interests, which had been divested of their riches and their glory in the process, should have been left an aggrieved and, perhaps, basically hostile element. This, however, has not happened. To some extent this is because the former landlords have been given fair and prompt compensation and some of the finances for this purpose was found by the state liquidating its holdings in many public enterprises. Simultaneously, the erstwhile landed interests have been encouraged to employ their capital, enterprise and energy in the opportunities spawned by the country's growing commerce and industry. It cannot be overemphasized at all that neither the Shahanshah nor his government sees any objection to men of foresight, courage or initiative making huge fortunes by taking full advantage of the scope which Iran's trade, whether domestic or foreign, offers for industrial or commercial entrepreneurs. It is desired, of course, that business should remain largely legitimate and there is great insistence, certainly, on private enterprise serving or even subordinating itself to proclaimed national requirements, priorities or purposes. It is believed, however, that this objective could be secured without the state adopting too puritanical an approach to the making of big money in industry or trade by private individuals. Consequently, the fast-rising urban industrial and commercial communities find the political environment congenial and deserving of their grateful loyalty.

labour interest

This loyalty easily extends to entrepreneurs and industrialists accepting with good grace the government's edicts, some of them really radical, seeking to lay down the law with regard to such matters as wages or profit-sharing or workers' participation in the ownership of industrial undertakings. True, active trade unionism, as normally understood, is non-existent and managements have virtually unlimited authority to manage without having to bother about strikes or other interruptions to production. Nevertheless, the labour force in industry has been made to feel that the government is watchful of the economic interests of workers and prompt and firm in securing to them their due share of the material benefits generated by an expanding economy where manpower is a highly valued resource.

While virtually all manpower is at a premium in Iran, organizational, administrative, professional and technical skills and training command rich premia indeed. The country's capital-intensive and technologically sophisticated industrialization and urban development programmes offer ready encouragement and employment for such personnel, who, consequently, are able to find job satisfaction, promotional prospects and gratifying remuneration and other service conditions. These socially significant groups or elements in the national life are also easily tempted to feel at home in a political order which gives them all this and a new Heaven too.

Finally, there are the "top" people who run the Shahanshah's administration for him. Their first and last qualification, of course, is their absolute loyalty to their sovereign. In between, however, they have, in them, several layers of talents of the greatest value to Iran's purposes of political

unity and economic growth. The prime minister, Mr Amir Abbas Hoveyda and his 24 senior ministerial colleagues, all hand-picked by the Shahanshah, are collectively as good a team of administrative leaders or technicians as may be found in governments around the world. Individually, quite a few of them would stand out in any council of ministers. Mr Hoveyda himself, is a man of consummate political artistry as well as an amazingly versatile administrator. The Home minister, Mr Jamshid Amuzegar, Iran's top oil-policy maker under the Shah, is generally allowed to be a truly brilliant man. Other personalities in key positions in such organizations of national importance as the Central Bank of Iran or the Iranian National Oil Company are also men of proven competence as well as loyalty to the ruler.

men of ability

Incidentally, about half-a-dozen of the ministers, including the prime minister, had earlier worked in the higher echelons of the National Iranian Oil Company. Granted that the Shah's is a royal court and that his men must necessarily be courtiers, there is no doubting the fact that Iran's monarch, in his sincere desire to give his country the most competent administration its political system may permit, has taken infinite pains to surround himself with men who would not only carry out his wishes or orders, but would also bring a high order of competence to bear on their allotted task of executing his plans and programmes for the nation. To the extent that this arrangement does give generous scope to men of ability or even ambition to make their mark on the affairs and progress of their country, it has served to secure for the Shahanshah and his polity the active co-operation and loyalty of gifted men in his country.

In Iran, its political system is described as a "constitutional monarchy". This, I suppose, means that Iran's constitution has provided for the political institution of absolute monarchy. The dictionary of politics is a book written in many languages. Most of us would probably identify the political order in Iran as essentially one of "benevolent despotism", with the emphasis being perhaps as much on the adjective as on the noun. In any case, it is wholly true that, through a far-seeing policy of economic and social reforms, the Shahanshah has successfully created strikingly broad-based popular support for his absolute rule, while at the same time acquiring and maintaining command over the loyalty of *elitist* elements or influences in the country. Even this may not amount to a national consensus exactly, but it certainly stands for a degree of conformity high enough to render the Shahanshah the more-or-less complete master in his own house.

Nevertheless, it is never very wise to take things for granted — and the Shah is nothing if not worldly-wise. He seems to understand well enough that, as Iran is modernising itself — which it is doing through his own deliberate choice and energetic efforts —, its men and women would increasingly yearn for a more open society and the rights and privileges that go with it. Since he is also genuinely concerned with promoting the legitimate aspirations of his people to the extent this can be done within the over-riding framework of his political system, he is now devoting his considerable abilities towards promoting the people's active participation in public affairs along lines acceptable to the Establishment. This is the essential meaning of the birth of the *Rastakhiz* (Resurgence) party in April this year.

Described by the Shah as a movement of national rebirth and resurgence, this party replaces the Iran Novin (New Iran) party which is the party of the government. It is headed by the prime minister, Mr Hoveyda, as its secretary-general and has been launched as the specific prelude to the national election decreed for July 7. The minister of the Interior, Mr Amuzegar, has been elected chairman of the executive board of the party with a mandate to ensure clean and fair elections. The party is fielding 700 carefully screened nominees for a total of 173 constituencies and it believes that the electorate, which consists of men and women over 18 years of age and is estimated to amount to about half the total population of 32 million, ought to be able to find sufficient scope for choice among the party's own list of candidates to be able to make their selections, without perhaps having to consider to any great extent candidates put up by other parties.

guided democracy

The indications are that the main opposition Mardom (People) party does not have much chance of doing anything about remedying its current relative insignificance in Irarian politics. The main objective of the new *Rastakhiz* party, however, cannot be the breaking of this butterfly on the wheel. The fact is that the Shah has concluded that a new political organization is needed to give the electorate more freedom of choice within the list of the nominees of the government party, while giving that party itself certain new directions so that it would function in a less hierarchical style and with greater participation on the part of its rank-and-file mem[...]. In other words, besides liberalising Ira[...] politics to a very modest extent, the [...] seems to have decided to administ[...] carefully calculated dose of educatio[...] guided democracy to his people. [...]cidentally, it is a curious fea[...] of the Iranian political struc[...] that, although the prime min[...] is the leader of the majority p[...] in the Majlis, he himself is no[...] member of the Majlis; nor are the o[...] ministers. This arrangement is descri[...] as an expression of the principle of "se[...]ration of powers". Actually, its ratio[...] seems to derive from the fact that the pr[...] minister is not only the appointee of [...] Shahanshah but must also be seen to [...] such. His loyalty and allegiance to [...] ruler, in other words, has to be exclu[...] and total. The prime minister selects o[...] ministers, but given the Shahansha[...] close and continuous involvement in [...] details of government as well as affairs [...] state, it may safely be assumed that e[...] ministerial appointment receives his [...]sonal consideration.

great expectation

Great expectations are entertained [...] the *Rastakhiz* party as it might eme[...] from the national election. The Shah[...]shah has openly expressed the hope t[...] it will help in strengthening natio[...] unity and the people's allegiance [...] the institution of monarchy, wh[...] containing the tendencies of politi[...] dissent or ideological subversion n[...] noticeable only at the fringes of [...] Iranian state or society, thanks pa[...] at least to the iron enforcement [...] internal security measures. Currently s[...] challenge as there may be to Iran's politi[...] system is generally treated as a creat[...] which is "foreign in its sources and "M[...]xist" in its inspiration. So long as it [...]mains only this it can present no seri[...] threat to Iran's political stability. T[...] country's economic progress, under t[...] vigorous leadership of the Shahansha[...] may be a good guarantee against sup[...]macy of its present political system bei[...] endangered. Economic progress, howev[...] has a way of stirring up heady as well [...] healthy thoughts in the minds of men a[...] women. Although he is already a man [...] spectacular achievements, the Shah [...] Iran — this outstanding ruler of our tim[...] — may well have to face in the years [...] come the most exacting demands yet [...] his statesmanship. Here his greate[...] asset must be what he is accomplishi[...] already; in a political system, where t[...] many "don'ts" do exist, the "dos" a[...] becoming more and more important, the[...] by giving it an increasingly constructi[...] character.

(To be continue[...]

Arabia yesterday and today

London

Jossleyn Hennessy

I

From Shekels to Dinars

UGE OIL fields have transformed the untries of the Arabian peninsula, laun-ing a boom, which has led to the found-g of new nations, currencies and central nks.

Coins were in circulation on the Arabian ninsula even in the pre-Christian era. ention is made of them in the Bible un-r the name of shekel or siglos. The rm shekel probably has its roots in ebrew ("sagala"=to weigh). Shekels ve been found in Mesopotamia dating om the period around 2000 BC; hese were 8 or 8.4 gram silver weights sed as currency standards. The Sumerians sed the shekel as a means of payment. n the Persian Empire these coins appear-d under the Greek name silgos (plural ilgloi) with a silver weight of 5.6 grams; he Persian emperor Darius had them ninted around 515 BC and proclaimed hat a sheep was worth three silgloi, and one silgos was the price of a jug of wine.

oman coinage

Towards the end of the 3rd century BC, a gold coin called the aureus (*num-nus aureus* or *denarius aureus*) served as the basis of the coinage system used in Rome and throughout the entire Roman Empire. Around 308 AD Constantine carried out a monetary reform in which the aureus was renamed *nummus solidus*, or simply *solidus*. At that point in time the coins contained only 4.5 grams of gold compared with 10.91 grams years earlier. When the western Roman Empire collapsed for good in the 5th century, the west Roman *solidus* became the *solidus byzantius*.

The Arabs created the dinar, a name derived from the Roman *denarius*. In the 7th century, the coinage in their part of the world comprised the gold dinar the silver dirhem and the copper fels. As direct successor to the *solidus byzantius* (bezant), which had its origins in the *denarius aureus*, the dinar could only be a gold piece. The dirhem took its name from the Greek *drachme*. The name fels is the root of the Arab word *f'lous*, which still means money today. When the Arabs conquered the Middle East in Mohammed's day (570-632), the Koran became the authority for currencies and their use.

After the Turks had conquered Arabia (1517), different kinds of European coins soon began appearing in those regions. The most common were Venetian gold sequins (*zecchino*) and Spanish *pesos* of silver. In the 18th century the monetary unit on the Arabian peninsula was the *piaster*, subdivided into 80 *kabir*. Trade was conducted with Turkish, Egyptian, Spanish or Venetian coins, depending on the region.

During the 19th century the Maria Theresia thaler began circulating on the Arabian peninsula despite the Turkish government's efforts to prohibit its use. The thaler originated in Bohemia and circulated in the Germanic countries from the beginning of the 16th century; the name was taken from a mint for silver coins in Joachimstal (Bohemia). The thaler was adopted in a number of other countries: its French name was taller (later thaler) and in English it was a dollar, a monetary designation still used in many lands besides the USA.

In 1751, the first thalers were minted with the effigy of Empress Maria Theresia of Austria, who reigned from 1740 to 1780. This famous coin, produced in Vienna's mints, was always silver. It soon came into use in many Arabian countries as well as in Abyssinia. In the 20th century the Maria Theresia thaler was minted in many places besides Vienna to ensure the Arabian countries' supply—apparently in Paris, London, Rome and Brussels, and even in Bombay during the war years 1940-41.

In 1924, a coin started circulating that had the same size, weight and finess, but which carried inscriptions in Arabic. This was the Yemen thaler, intended for use in Arabia.

halting the drain

The Indian rupee was the customary currency in the Persian Gulf emirates and Kuwait up to May, 1959. Kuwait obtained the payments media she needed by exchanging rupees for pounds sterling with the Reserve Bank of India, where the commercial banks also changed their excess rupees. Ultimately the Indian central bank found itself flooded with large amounts of rupees, mostly as a result of extensive sales of gold to India because of the sharp price differential compared with the free markets in the Gulf area. In order to halt the intolerable drain on its monetary reserves, India issued a special gold rupee intended solely for the emirates and Kuwait in May, 1959. It was also exchangeable for sterling at the central bank, but could not be obtained in India itself.

towards unity

In February, 1968, the Arabian Gulf Federation was formed by the following nine Gulf emirates (former British protectorates): Bahrain, Qatar, Abu Dhabi, Dubai, Sharajah, Ajman, Umm al Qaiwain, Ras al Khamah and Fujairah. Then in July, 1971, the United Arab Emirates was founded, this federation included all of the members of the erstwhile Gulf Federation except Bahrain and Qatar. The new state attained full independence in December of the same year and became a member of both the United Nations and the Arab League. The largest of the emirates and the leading oil producer is Abu Dhabi. Bahrain and Qatar also attained independence in 1971. Today these countries have their own currencies, briefly described below.

Kuwait: Following the declaration of independence, the Kuwaiti dinar (10 dirhams or 1000 fils) was put into circulation. The Central Bank of Kuwait fixes the daily buying and selling rates for the pound sterling and the US dollar.

Bahrain: Since October, 1965, the sole currency has been the Bahrain dinar, subdivided into 1000 fils. Bahrain declared its independene on August 15, 1971. The dinar circulates throughout the entire Gulf region without restriction. The Bahrain Currency Board acts as a bank of issue.

Qatar: Qatar declared its independence on September 1, 1971. When the United Arab Emirates introduced a new currency in May, 1973, Qatar placed its riyal (100 dirhams) in circulation. Note-issuing bank is the Qatar Monetary Agency.

United Arab Emirates: On May 19, 1973, the dirham (100 fils) was introduced with the same parity as the Qatar-Dubai riyal (=0.10 Bahrain dinars). It replaced the Bahrain dinar and the Qatar-Dubai riyal, which were circulating together in the seven emirates. The United Arab Emirates Currency Board acts as issuing bank.

Sultanate of Oman: The present official currency, the Omani rial (1000 baizas), entered circulation in November, 1972, with unchanged gold parity (2.133 grams fine gold). Note-issuing bank is the Oman Currency Board.

Democratic People's Republic of Yemen: The southern Arabian territories achieved independence when Britain gave up the strategically important city of Aden. Apart from the colony of Aden, the area comprised 17 sultanates of the Southern Arabian Federation (western protectorate) and Hadramaut (eastern protectorate). The People's Republic of Southern Yemen was founded on November 30, 1967. In 1968 the link between the southern Arabian dinar circulating in the country and the pound sterling was severed and the currency unit renamed the Southern Yemen dinar (1,000 fils). The currency system was not affected when the Democratic People's Republic of Yemen was formed in 1970.

Yemen Arab Republic: In 1923 a silver thaler entered circulation in Yemen that was an obvious copy of the Maria Theresia thaler, but with Arabic inscriptions. It was called the imadi or riyal. The Yemen Arab Republic came into being following a coup in September, 1962. Since February, 1964, the official currency has been the Yemen riyal (40 bugshas), with a value roughly equal to that of the thaler. The Yemen Currency Board is the issuing bank.

Saudi Arabia: In 1927 Great Britain signed an agreement with Ibn Saud acknowledging the independence of Hejaz and Nejd as well as the areas subordinate to them. These territories were ultimately proclaimed the Kingdom of Saudi Arabia in 1932. Following a chequered monetary, history the country's money system was placed on a new footing on December 31, 1959; now a Saudi riyal is divisible into 20 qurush or 100 halalas. At the same time, the "pilgrims' receipts", notes intended for use by pilgrims to Mecca, were replaced by ordinary bank notes. Gold coins were withdrawn as an official payments medium at the beginning of 1960. Issuing bank is the Saudi Arabian Monetary Authority (SAMA).

II

United Arab Emirates

Present Situation: Gradual resumption of 1974 oil production levels and the consequent easing of the short-term liquidity crisis reported early this year.

Outlook: The country's ability to avoid another financial crsis will partly depend on the volume of its aid expenditures and future relations with the oil companies.

Population: 320,000.

Government President: H.H. Sheikh Zayed Bin Sultan Al Nhayyan (Ruler of Abu Dhabi).

Vice President: H. H. Sheikh Rashid Bin Said Al Maktum (Ruler of Dubai).

The UAE, a federation of seven emirates (Abu Dhabi, Dubai, Sharjah, Ras-Al-Khaimah, Fujairah, Umm Al Qaiwain, Ajman), became a sovereign independent state in December, 1971.

Exchange Rate: 9.47½ UAE Dirham (UD)=£1 (£1=US $2.3805).

Payments: There are no difficulties with payments for exports to the UAE.

Abu Dhabi's much publicised financial difficulties early this year were due to the sudden reduction of revenues from oil and the considerable amount of foreign aid (35% of GNP) given by the Emirate.

fall in demand

The reduction in oil revenues came as a result of a fall in demand for Abu Dhabi's overpriced crude. With the quadrupling of oil prices since October, 1973, consumers (helped by an unusually mild winter and the replenishment of their oil stocks) were unwilling to pay an additional premium for the country's high quality oil. Production fell dramatcally from an average 1.74 million b/d in December, 1974, to some 550,000 b/d by mid-February, 1975. However, the 55 cents a barrel cut in the price of oil announced on March 1, (equal to the premium of 40 cents previously charged for low sulphur content, plus a levy for gravity of 15 cents) is already helping production, which rose to 945,000 b/d during the first 18 days of March.

The main economic problem facing the country today is rampant inflation; with food prices increasing at a rate of some 300 per cent there is an urgent need for government measures to combat the spiralling rise in prices.

In an attempt to enhance export capacity by adding oil related products to crude oil exports, petroleum-based industries are being established all over the Emirates. The natural gas liquification plant on Abu Das island, which is expected to be completed in 1976, will finally co some UD4,000 million. Another g processing plant to be built in Dubai w cost a further $120 million and will have a annual export capacity of 700,000 ton while a petrochemical complex costi $500 million is being planned with Frenc cooperation. Moreover, several o refineries are under construction or bein planned in all the oil-producing Emirate

new ventures

A new oil tanker company is being estal lished to provide the country with its ow carrying facilities. The Emirates are we endowed with raw material for the manu facture of cement; two large cement plant are expected to start operation in 1976 the first at Al Ain will have a capacity c some 250,000 tons a year, and the secon in Dubai will produce 500,000 tons year. Sharjah, the third biggest Emirate is also on the road to becoming a cemen exporter within the next two years A new steel mill to be built near Muqht Bridge will produce some 25,000 tons o reinforcing bars by the end of 1979.

The discovery of commercial amount of mineral deposits, such as iron and cop per, will help to develop various mineral based industries in the Emirates. In addi tion, large quantities of uranium are re ported to have been discovered in Fujai rah.

With 39 banks (246 branches) and a population of some 320,000, the Emirates clearly possess one of the highest densities of banks per inhabitants in the world!

Banking activity is controlled by the UAE Currency Board, which functions as a Central Bank. At the end of June, 1974, commercial banks' assets totalled UD4,963 million, while credit extended to residents totalled UD2,451 million, compared with UDI 352 million at the end of June, 1973. Two new specialised banks, the UAE Development Bank and a property development bank, will extend loans to UAE citizens at lower than commercial interest rates. Preliminary allocations for the 1975-76 budget amount to UD 1,800 million compared with UD 1,692 million for the previous financial year. This is rather a cautious increase mainly due to the short-term uncertainties about oil revenues.

Development of urban and rural areas is taking place. A low-cost housing scheme is to provide homes for 4,000 families on the outskirts of Abu Dhabi city, while a new town for 20,000 inhabi-

will be built around the inner es of Dubai Creek.

e state attaches importance to educa- ten new schools are being added to 10 already existing in the Emirates, four junior university colleges are ned for this year; these will comprise a ner training school, a centre for neering studies specialising in oil, a ness and commerce college and a nd centre for Islamic studies.

ealth care is provided free throughout Emirates, and grants are made to ents needing treatment in specialist res abroad. Two new ultra-modern pitals are expected to open by mid- 5; the first at Abu Dhabi will accom- date 165 patients and cost UD21 mil- , while the second at Al Ain will have lities for 120 patients with an exten- n capacity for an additional 132 and l cost UD60 million. The most ambi- us project in health is a 500 bed hos- al designed to be one of the biggest l best equipped in the area. The Abu abi Grand Hospital, as it will be cal- , is expected to be ready by 1979.

ancial institutions

Two main financial institutions channel e state's aid funds to other Arab and veloping countries : the Abu Dhabi nd for Arab Economic Development DFAED) and the General Assistance ppropriation Fund (GAAF).

The ADFAED is mainly designed provide aid for general development rposes while the GAAF is more ncerned with disaster areas and coun- ies with urgent need for development nds.

A third institution, the Abu Dhabi vestment Board (ADIB) is mainly ncerned with investing funds allocated it by the Finance ministry, which ghtly insists on obtaining a satisfactory turn on investment.

Although much of the state's financial ifficulties earlier this year were blamed n the generosity of its aid allocations, id commitments by Abu Dhabi for 1975 re estimated to have already totalled ome $1,615 million, but it is unlikely hat this figure will. now be met.

In November, 1974, it was announced hat all communications companies were o be merged and that the government vould take a 60 per cent share in the peration. Several projects are designed o improve the communications network n the Emirates, one of which, a tunnel inking Dubai and Daira under the Dubai Creek, will be completed before the end of 1975. The governmen plans to establish a national airline in cooperation with Pakistan International Airlines which will carry out a feasibility study for the project.

The growth of commercial and industrial centres in the Emirates has created a need for extensive telecommunications—$3.5 million have been spent in extending Abu Dhabi's telephone network and a computerised automatic telex service was installed at a cost of $1.7 million.

Colour television was recently introduced in Abu Dhabi and Dubai and the installation of a microwave system should make television available to all the Emirates within the next two years. I wonder whether UAE television will be as dull as the All-India Radio that I used to know?

Dubai is the major entrepot centre in the Gulf. Its re-export trade has a much wider basis than that of Abu Dhabi because of the greater berthing facilities of Port Rashid. However, the expansion of Port Zayed in Abu Dhabi should reduce the indirect imports flowing into the Emirate. The announcement of the creation of a 'free zone' by Dubai will provide facilities for the storage of imported goods against fluctuating demand without any time limit or duties placed upon tenure. Moreover work has started on a giant trade complex near Port Rashid to be completed by 1979.

Almost all basic requirements, including foodstuffs, are imported. Most important are machinery and transport equipment, manufactured goods and building materials.

Value of Imports : Abu Dhabi and Dubai

(UD million)

	Abu Dhabi	Dubai
1972	758	1,475
1973	1,019	2,341

The increase in oil revenues as a result of the gradual resumption of the 1974 levels of production should end the short-run financial crisis reported in January and February of this year. However, financial commitments for 1975 are likely to be revised downwards. Substantial reductions are particularly expected in funds allocated for investment in western economies.

In the wake of recent revaluation of the Saudi Arabian, Kuwaiti and Qatari currencies, through the severance of their link with the US dollar, a reappraisal of the position of the dirham is likely. As an alternative to the link to SDR's adopted by Saudi Arabia, a different basket of currencies could be utilised.

Sources and acknowledgements: Part I above is summarised from the latest issue of *Business News Survey Prospects* published by the Swiss Bank Corporation, Basel, Switzerland and Part II from a special report published by Barclays Bank, 54 Lombard St., London EC3P 3AH.

The referendum : a Community landmar

Vienna

E. B. Brook

THE British public's decision in favour of continuing membership of the European Community is a half-way mark through the year. Something definite has been decided in a world full of uncertainties; one important uncertainty has been removed. The decision brings Britain more closely in line with the Commonwealth, which last year did more trade with the other eight members of the European Community than with one another and with Britain put together. To many countries within the Commonwealth the Community, less accurately but more generally known as the Common Market, is taking on the role of a more helpful and valuable cooperator than Britain is able to be.

The Market is in the process of undertaking to provide as much financial assistance to industrially growing countries not linked to it by comprehensive economic arrangements as to those which are so linked. Over five years this will mean £380 million in cash from the European Community's budget. In addition there is about £60-million in food aid financed by the Community which will usefully supplement the United Nations' Special Fund for developing countries hit by the oil crisis. Had Britain voted to leave the European Community it would have removed itself from, among many other useful things.

improving the scope

The decision is in line with the useful work done by Britain within the Community in helping to improve the scope of its generalized preference scheme under which about 90 per cent of Indian exports now enter the Community's wealthy area duty-free. The list of so-called "sensitive proudcts" to which this benefit was not allowed to apply has been reduced from 51 to 17 and further improvements are on the way. Reinforced by the referendum decision the British representatives in Brussels will be in a much better position to argue successfully for opportunities to open continental doors to its huge market with a minimum of, or a complete absence of restrictions. Western Europe will be much wider open to some 120 major products of Indian industries, especially textiles than its eastern counterpart. Jute and coir, enjoying a cut of 60 per cent in Community tariffs will be helped on the road to alignment to the zero tariff rating. For the African, Pacific and Caribbean states, which gained completely free access to Community Markets under the Lome agreement the outlook has been cleared of the prospect of losing Britain's £300 million share in financial arrangements and in buying sugar. The year's half-way mark aspect of the British people's decision has two aspects. The British can now better assess where they stand and the rest of the world can more certainly prepare for its looming problems about energy and overall trade recession.

a psychological tonic

The British stand committed to all their European Community obligations and to receive all its benefits—many of which they are already experiencing in regional and industrial assistance. They face still a steadily falling value in the exchange value of the £ sterling—although it stood up well during the uncertain weeks of the referendum campaign. They face more strikes, further rising prices and inflation. But they have a government reinforced by the two- thirds positive public attitude to its recommendation on Market membership and a leader who has successfully defied the ultra-left in his own party. After much seeming surrender and uncertainty this is something of a psychological tonic.

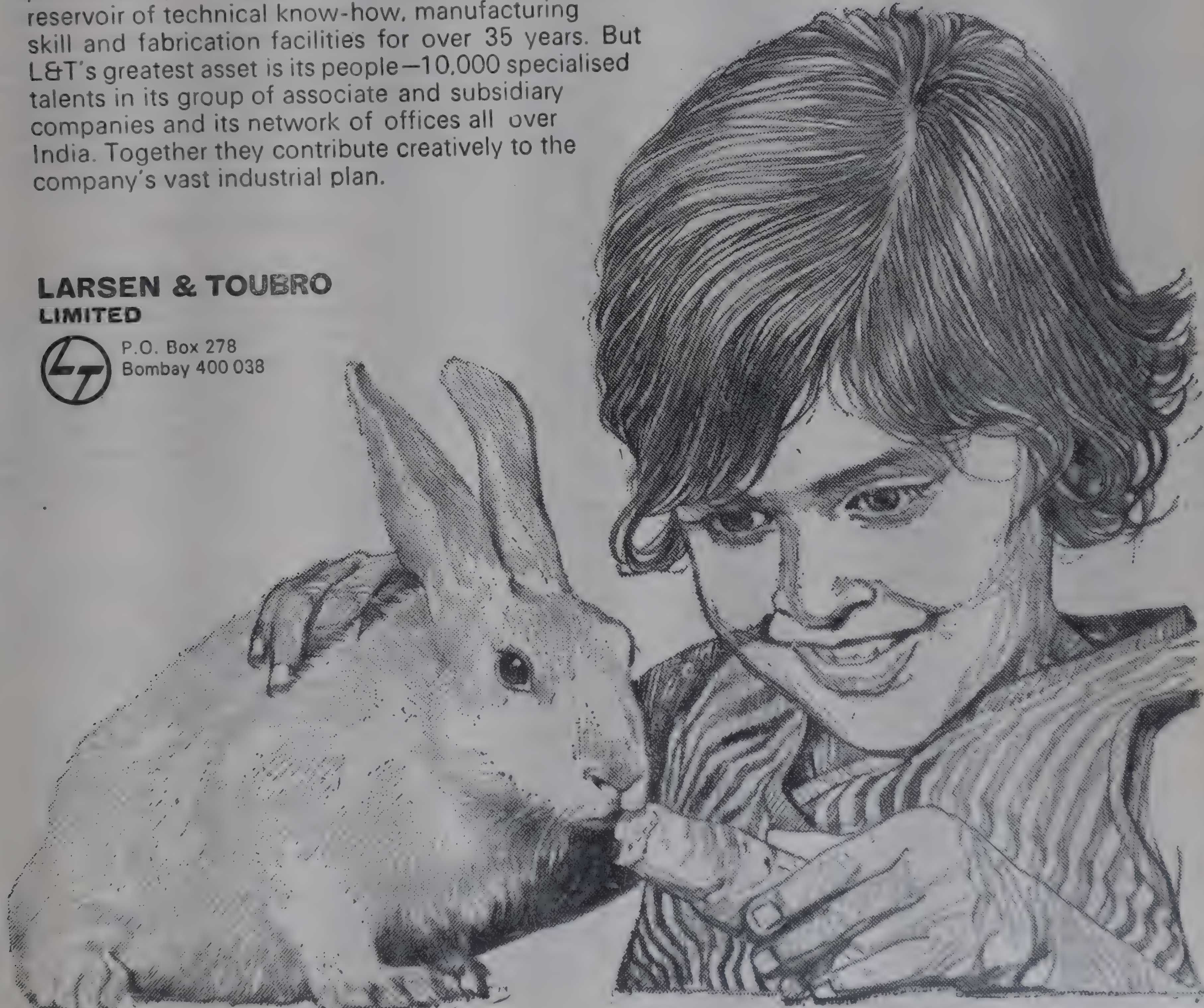
The American people, who had no written constitution, no President and remarkably little unity for more than a century after their independence from Britain, should provide Britain and western Europe with an encouraging example of hows lowly and with what difficulties unity is won and a warning that unity, like everything else, never remains exactly the same thing for very long. Something like a United States of West Europe is emerging much faster and with much more definition than did the United States of America. With its centuries of political experience and varieties of business and technical skill it has the chance, now it is firmly the Nine, to become eventually even more prosperous and united than that present example of unity, the USA.

It faces, and is part of, a new world order now emerging in the com struggles over energy and trade re sion. The world is no more sharply d ded into haves and have nots. Those w have the money do not have the ma source of industrial energy, oil. The Secretary of State, Dr Kissinger, spoke Kansas City on May 13, of a "new wo economic order" and of the necess for industrial and developing nations consult over its formulation. Two we later, in Paris, Dr Kissinger proposed now famous "cooperative approac design for handling energy problems w oil-producing states— a marked contr to the US attitude when reluctantly d cussing general control of all industr sources with representatives of ma "developing" states in Paris about a m nth earlier. The bogeys facing the big dustrialised states are steadily rising pri for oil, decreasing government and indu trial funds causing further falls in co merce and, not least, a recurrence of t food crisis which has only receded un another year of poor harvests makes critical again.

American efforts

President Ford and Dr Kissinger a anxious to keep the economic initiati in American hands, to make su they do not lose influence throu lack of confidence among t Europeans or power through being ob ged to pay ever more heavily for t essential liquid that moves their indu tries. The USA's small percentage depe dence on foreign trade for prosperity h tended to obscure the importance their economy of countries they ha taken for granted during the century t US has grown into an industrial giant.

It is as much a shock to the USA self-esteem that it has to bargain governmental level over crude and refine oil prices as it is a danger to its econom that mills and factories might be stille for want of fuels. It is the American weak ness that this confrontation occurs as election year draws near and that the bargain with peoples who, unlike th Americans, are accustomed to povert and have all the resilience that conditio provides. Above all, it is these countrie who can use oil as a political weapo while the Americans cannot use thei weapons if they do not have all the oi



BOOKS BRIEFLY

Reviewed by
Academicus

West Bengal's travails

West Bengal—Tbe Travail Continues: Sponsored by the Bengal Chamber of Commerce & Industries; Oxford & IBH Publishing Co; Pp 74: Price Not given.

India's Socialist Princes and, Garibi Hatao: Benedict Costa; Kalyani Publishers, Ludhiana; Pp 199; Price Rs 9.

Educational Challenges in Socialist India: Edited by Dr Satya Pal Ruhela; Kalyani Publishers, Delhi; Pp 220; Price Rs 34.

This or Else—A Master Plan for India's Survival: Dinshaw J. Dastur; Jaico Publishing House, Bombay; Pp 184; Price Rs 35.

India After Nehru: Kuldip Nayar; Vikas Publishing House Pvt. Ltd; Pp 290; Price Rs 50.

Rural Industrialisation: O. P. Jain; Commercial Publications Bureau, New Delhi; Pp 316: Price Rs 75.

Some four years ago the Bengal Chamber of Commerce and Industry sponsored a study on West Bengal with a view to analysing the factors that were leading to a decline in the state's economy resulting in serious social tensions. In 1973 the Bengal Chamber published a supplement analysing the developments that had taken place since 1971. *West Bengal—the Travail Continues* is an exercise that was begun in 1971 and tries to examine the prevailing situation in West Bengal.

During the early part of 1970s, "darkness had almost completely engulfed what had at one time been one of the most advanced regions of India." The rot that was gathering over years manifested itself dramatically in the tragic upsurge of violence that shook the state of West Bengal during the closing years of the sixties and early years of the seventies. The whole of India woke up, as if by a shock, to the disaster that had overtaken this part of the country.

revival effort

During the last three years or so, major steps were being taken to bring about a sort of revival in West Bengal. A determined and many-pronged attack has been launched over a fairly wide front to retrieve the situation. The task of development of Calcutta with its industrial suburbs and port which forms the cornerstone of the infrastructure required for the development of West Bengal and indeed of eastern India as a whole has been taken up. For this purpose the Calcutta Metropolitan Development Authority was set up with sizable allocation of funds. To attract entrepreneurs to this area and to make it worthwhile for them to invest in West Bengal, an incentive scheme was drawn up and given wide publicity. The West Bengal Industrial Development Corporation was streamlined and geared to carry promotional activities and help new industries. Industrial Rehabilitation Corporation of India was launched with headquarters at Calcutta, with a view to take up the problem of sick mills bulk of which were located in the eastern region. The West Bengal Infrastructure Development Corporation was set up to create infrastructure for industrial and economic development in the backward areas of the state.

period of stability

Political developments were also taking place which ultimately resulted in the return to power in the state of the same party which was in power at the centre. Naturally all these developments seemed to establish, on the one hand, a period of stability for the troubled and problem-ridden state of West Bengal and on the other gave rise to the hope that with the same party in power both at the centre and the state, implementation of the plans that were being drawn up for the revival of the state and of the Calcutta Metropolitan District would be considerably expedited.

A review of the progress of the implementation of the various plans, however, reveals that while some advance has undoubtedly been registered, the progress so far has not been fast enough as demanded by the situation. While granting that there has been an economic crisis in the country as a whole the main features which are the high rate of inflation a industrial stagnation, the fact rema that attempts at the revival of the eco my of West Bengal and success in deal with the specific economic ills of the st have not been as anticipated.

The plans that have been drawn up develop the infrastructure facilities West Bengal have been making relativ slow progress and some of them ha got tangled in webs of controvers which are causing further delay. T special institutions set up are faci financial difficulties and are finding difficult to get the necessary wherewith to proceed with their work. Maj problems seem to have arisen over t acquisition of land and getting necessa foreign exchange for various projects.

no dearth of talent

The Bengal Chamber feels that ther is no dearth of talent in the state an even the required resources can be raise provided the administration displays greater degree of dynamism and ac with a greater sense of urgency. Th Bengal Chamber is convinced that "th enormity of the tasks facing the sta calls for tactful and imaginative leade ship and for even greater degree c efficiency and dedication on the part c the administration."

The Bengal Chamber has rightl warned that "... in view of the economi situation prevailing in the country an particularly in West Bengal, we mus indeed make an effort to run twice as fas if we want to get somewhere."

Having analysed the problems in th spheres of agriculture, industries, power infrastructure facilities, finance an industrial licensing policy and havin pinpointed the various bottlenecks and inadequacies, the monograph has made an attempt to show a way out.

The Bengal Chamber is optimistic and believes that "a change for the better can come about in a relatively short period of time provided there is the will to act in unison and the right steps are taken." The monograph has suggested that re-

es must be mobilised more efficiently ll types of waste must be avoided. ts must be made to encourage private tment which has declined consi- ly in recent years. In selected such as those involving sophisti- technology and where there are bilities of improving exports, private gn capital should be encouraged. ally established financial institutions have to provide more financial ac- nodation to Calcutta industrialists hereto and the central government sing policy also will have to be less minatory. The problem of power have to be successfully tackled for the monograph has suggested some rtant steps.

nd above everything else the mono- h has rightly pointed out that the ective factor is the most important if rehabilitation of West Bengal is ke place, the current atmosphere of ration, of cynicism, of apathy and rgy that prevails must disappear. , according to the monograph, will for action on two fronts—the politi- nd administrative. On the political t the ruling party must act with ter sense of cohesion and purpose. In administrative sphere the functioning ld be streamlined and efforts should made to improve efficiency at all ls.

Comparative political stability in recent s in West Bengal has probably made complacent and think that all is well hat sensitive part of the country. The gal Chamber has done a good job by ging out this monograph with forth- t criticism and constructive sugges- s and by pointing out that all is not well with West Bengal and that as much remains to be done.

Socialist Princes

India is one of the poorest among the or countries of the world and yet the pularly elected administrators of the ntry and top bureaucratic personnel living in feudal splendour outdoing this respect the erstwhile colonial ministrators. What is much worse, the nisters who are daily mingling with masses have almost become insensi- e to the growing disparity in the living ndards of the people and the adminis- s. Benedict Costa in his *India's cialist Princes and Garibi Hatao* has cussed our attention on this glaring velopment by giving some interesting tails.

The author has shown how this new ss of administrators headed by popular-ly elected ministers has become a caste into themselves. They stand out prominantly amidst mass hunger and poverty with their vulgar display of wealth and ostentatious manner of living. These administrators have built a system in which they get "priority of treatment for themselves, their wives, sons, daughters, nephews, nieces and their near and dear ones whether in securing cars, jobs, houses, telephones, hospital accommodation or a place in the school or college." The worst thing about power is not that it corrupts but that it makes one callous and coarse.

instructive details

The author has given some instructive details. India, for example, has about 500 ministers—more than in any other country in the world. Though they swear by Gandhian tenets of simple living and high thinking, they cost a fabulous amout to the country. A union cabinet minister costs about Rs 37,500 per month and a deputy minister about Rs 16,500. Though their actual take-home pay appears modest, the fringe benefits and perquisites have reached scandalous proportions. In states, a minister's salary and perquisites amount to about Rs 8,000 per month. All this when the per capita income in India is around Rs 500 and more than half the country's population is on the starvation level! The remuneration of ministers is more than 800 times the per capita income of the people. MPs and MLAs do not lag far behind and the legislature of Maharashtra recently passed an act permitting members of the legislature to travel with their wieves 10,000 kilometres outside their state once a year. In such matters members of the ruling party and of the opposition appear to join hands in securing as many concessions as possible at the cost of public treasury.

The British have gone but the governors and government houses have remained and the rajpramukhs live in a manner reminding us of the Moghul satraps. The annual expernditure on the maintenance of the huge rajbhavans including staff quarters and gardens, official railway salloons, rivercraft, and aircraft, travelling and leave allowances and the expenses on renewals and furnishings is covered by the Governor's Allowances and Privileges Order originally made by the Governor-General in 1950 and amended from time to time. This it certainly a remarkable piece in socialist India! What is strange, no] governor has felt any compunction about the manner of his living or come forward to renounce it.

And what about the president of India, the first citizen of the poor country? The president of India—whether a philosopher, an educationist or an erstwhile labour leader—lives in a manner, which according to M. C. Chagla in his *Roses in December*, was an envy of even the president of the United States!

The author has given a number of revealing facts about the sugar barons in Maharashtra and the knights of the black rupee and the rise of Kulaks in Maharashtra with complete stranglehold on the administration and other government and publicly supported institutions which seem to exist and function only for this class.

The reading of the book makes one sick at heart. It makes one a cynic wondering whether democratic and peaceful means would be adequate to dislodge these people from power or whether people should adopt some other means not strictly democratic, constitutional and non-violent. One can only marvel at the patience of Indians which is truly assinine, for history tells us that masses have revolted against their governments under conditions much less oppressive and provocative.

Education in India

A realistic and thorough understanding of the educational problems and issues involved in the task of educational reconstruction is absolutely essential if India is to successfully meet many challenges which it is facing and likely to face in future. While a lot of discussion is going on about these educational problems and issues at various levels, there appears to be considerable amount of confusion in the minds of most about these problems. Dr. Satya Pal Ruhela therefore thought it fit to bring out *Educational Challenges in Socialist India* containing 18 papers analysing various aspects of India's educational problems such as structural changes in the pattern of schooling, equalization of educational opportunities, pre-school education, teacher education, social integration of scheduled caste teachers, crisis in higher education, role of social scientists, moral and spiritual education and so on. The papers are contributed by scholars who have experience in the field on which they have written. It would be instructive to see some important ideas contained in some of the papers in this book.

The editor himself has contributed four papers in this volume. Writing about 'The Sociology of Informal Education in

Socialist India', he has pointed out that about Rs 53 crores on the programme of informal education out of a total of Rs. 2,200 crores are provided in the fifth Plan. According to the author, the functions of informal system of education are (i) to rectify the existing system of education which is almost exclusively formal and relies on full-time institutional instruction at all stages, (ii) to reduce wastage in primary education, (ii) to remove illiteracy, (iv) to check enrolment in schools and colleges, and (v) to bring about general improvement in educational and vocational standards of people, promote social justice and to encourage social mobility among the working force in India.

informal education

The author's regret is that educationalist in the country have not as yet given much thought to the problems of informal education. The editor has also contributed papers on 'Educational Reconstruction in India', 'Social Impact of 10+2 Scheme' 'Educational Opportunity to the Commonman's Children in Socialist India'. The analysis is full of technicalities and should be of interest to the specialists in the field of education. But it would have been better if the editor were to deal with many of the educational problems in socialist India from the temporal instead of spiritual point of view which he often brings to bear on the discussion of educational matters.

Prof. M. V. Mathur writing on 'Tasks of Universities in India', has traced the historical development of Indian universities and has emphasised that Indian universities occupy today a nodal position in the effort at nation building and social and economic development. On them substantially rests the responsibility for promoting the acquisition of new knowledge and skills for development of physical and human resources. The author is of the opinion that India today is faced with several formidable challenges and that the university should provide leadership to society in meeting them adequately. According to the author, "By analysing contemporary problems objectively and impartially, by stimulating broader vision and fresh insights and by creating a public debate on controversial issues, it can give a new hope and content to national and international thinking".

A. B. Shah has maintained that "the dominant traditions, both Hindu and Mulim, in India have been for centuries anti-intellectual...." The Indian mind is 'knowledge-proof' and academicians are no more immune to them than politicians and businessmen. The author has warned that it is the responsibility of higher education to reverse this trend and the failure to reverse this trend may prove in the long run to be the greatest failure of Indian intellectuals, particularly of those operating at the decision-making level. It would be wrong to continue to blame the British for this. A. B. Shah's is a small but really thought-provoking and the best paper in the volume.

Writing about 'Child and Community in India', Mrs Mina Swaminathan writes that the Indian reverence for childhood is too well-known to need mention. But, according to her, a survey of what in practice is actually being provided for education and child welfare shows what a gigantic hoax our slogans and cliches cloak. According to her, even a cursory glance at the field of pre-school education is enough to reveal the facts. Barely one million children in the country have the benefit of any form of pre-school education. The problem of wastage and stagnation in the primary school with which the country is faced on a vast scale is closely related to the availability of pre-school education.

teacher training

Prof. Uday Shankar and Dr. P. P. Singh have both written on the important problem of teacher-education in India. As the number of teachers required in independent India is vast, teacher-education assumes great significance; for unless teachers themselves are adequately equipped, they will not be in a position to play their part well. Teacher-education in India has not received the attention that it deserves.

Writing about 'Tenets of Student Radicalism', Prof. K. C. Lalwani, after tracing student involvement in the political movements in India and in other countries, has warned that "since educational establishments are among the institutions of the society and since these have already reached a stage where they have ceased to be of any use either for radiating knowledge or for determining the value system for the society, it is but likely that the students' disapproval and rejection of these for quite some time from now on will characterise the student-faculty relation in this country." According to the author, unfortunately, independent India has failed either to create a new system of education suited to the country's needs and genius, still less to adapt the older institutions to the same or to evolve a new class of intellectuals inspired by and dedicated to the cause of the country. The existing system is doing more harm th[an] good to the country, for education[al] institutions in India are not merely st[ag]nant and unable to generate and radi[ate] fresh ideas, but they have closed th[e] doors to ideas that may be coming [to] them from outside. Writing about equ[a]lity of opportunity in education, [Dr] Ranee Samue has emphasised that n[ot] only is there urban-rural imbalance [in] the number of schools and pupils enroll[ed] in them but there exists the region[al] imbalance in the proportion of boys a[nd] girls enrolled. The authoress has concl[u]ded that, ".... .it is obvious that equali[ty] of opportunity in education seems n[ot] only to be a distant goal but an utopi[an] dream." Dr. S. C. Dube has shown h[ow] higher education in India stands as [an] immobile colossus—insensitive to t[he] changing contexts of contemporary li[fe] and unresponsive to the challenges [of] today and tomorrow. The giant kee[ps] growing but only in size. B.P.S. Negi h[as] contributed a thought-provoking artic[le] on social integration of scheduled cas[te] teachers.

There is no doubt that educational pro[blems] of India are defying solution an[d] the muddle in the educational field [is] getting worse as every day passes. Un[fortunately] while the papers in thi[s] volume have correctly analysed the exis[ting] educational problems, the sugges[tions] offered are mostly in very genera[l] terms which is not very useful in solvin[g] problems in a concrete way. And yet th[e] book is welcome insofar as the variou[s] papers in the volume have pinpointe[d] attention on various issues many of whic[h] are often neglected or treated as of littl[e] significance.

Technocrat's Plan

D. J. Dastur, the writer of *This o[r] Else - A Master Plan For India's Sur[vival]* is by profession a technocrat an[d] an industrialist, but with a difference[.] He is very much interested in the socia[l] and economic problems of the countr[y] and takes pains to analyse them in hi[s] own light and presents his viewpoint be[fore] the public. Being an expert in [a] narrow field and possibly without th[e] benefit of the study of social sciences[,] the opinions and views of D. J. Dastu[r] are likely to appear extremely one-side[d] and narrowly conceived. But there is n[o] doubt that there is the quintessence o[f] truth in what he says, though to a super[ficial] observer his writings may appea[r] eccentric.

Indian economy is in the dol[drums] today and one of the main reason[s] or possibly the main reason[,] according to the author, is the extremel[y]

y burden of taxation on one and all. is the faulty and unjust tax system ch is responsible for the vicious circle poverty in which we all are caught if the tax system is not corrected lly and with imagination, it would nately ruin the country via corrup-, black marketing, black money and allel economy.

Dastur has made his calculations and shown that even a person subsisting a starvation diet of "three loaves of ad and three cups of tea a day" pays monthly indirect tax of Rs. 22. From h persons and others who are not le to pay income-tax, the government lects well over Rs. 5,500 crores a r and from millionaires and large npanies only about Rs 1,650 crores direct and corporate taxes. Such a elopment, according to the calcula-ns of the author, snowball into Rs. 000 of black profit, an amount almost ice that of the union budget.

ysiocratic remedy

Apart from suggesting simplication the Indian tax system which reminiscent of the Physiocratic sug-stion of the single tax system, the author s made a number of suggestions to ing about revival of the Indian econo-y. He wants that all the indigenous sources of the country should be har-ssed in conjunction with the labour ower of the country by formulating vast ojects, thus generating work and wealth r our millions. He wants that vast pro-cts should be undertaken for the con-rvation of water and for developing griculture. He has rightly maintained at, "we have more wealth in our water an Arabia has in oil." He has recommen-ed that labonr should be given a share in anagement and profits. Such an arran-ement would make labour unions redun-lant and labour relations happy. The uthor has made a fervant plea for grea-er scope for free enterprise.

As regards the system of taxation, the author has pleaded that the present system of taxation, cesses and duties on individuals; corporations and commodi-ties should be abolished, His new scheme includes per head tax of Rs. 22 (which each one is paying at present through indirect taxes), a gift tax and death duties and a repatriation of profit tax.

The author is right in his analysis of the maladies which are affecting the Indian economy and Indian society. But while suggesting remedies, like any other narrow specialist, he has taken too narrow a view of the remedies required to root out the evils. A little change in a system here or re-placement of some system there would, one is afraid, not mend matters, because the rot which has set in during the last quarter of a country is much too deep from superficial remedies of the type suggested by the author. And therefore while some of the suggestions are good in themselves, they may not help India attain the proclaimed goals. India's sur-vival is a much more difficult matter than D. J. Dastur visualises.

Waiting for Avtar

India After Nehru is a simple and straightforward narrative of develop-ments and events in India after the death of Jawaharlal Nehru in May 1964. The author, Kuldip Nayar, is one of the veteran journalists who are often at the centre of political activities and developments in the country. They move in the company of people who matter and often enjoy their confidence and share secrets with them. Naturally rea-ders in general are attracted towards such books. The author believes that Jawaharlal Nehru "had vision and knew the direction in which the nation should move." He states that he has tried to trace how far they (Lal Bahadur Shastri and Mrs. Gandhi) pursued his line or departed from it."

From Kuldip Nayar's account we learn many interesting details. We are told that Nehru always carried in his brief-case a copy of the Gita and an abridged version of the U. N. Charter; we are told that according to Kennedy, Nehru "was a person who had lived too long"; that many in the west had pre-dicted doom for Indian democracy once Nehru left the scene; that Nehru pro-bably favoured Shastri, as his successor to Morarji for Shastriji might deviate from his (Nehru's) policy but Morarji would probably destroy it; that Nehru always had his daughter in mind as his successor; that Mrs Gandhi was keen to succeed Nehru and that was why she never liked Shastri; that Nehru felt that Jayaprakash Narayan "will play a very important part in shaping India's des-tiny"; that Nehru was aware of Chinese danger from the beginning; that chief ministers carried out central behests even when they did not agree with Nehru but they never implemented even what they agreed to under Shastri; that Shastri was desperately after something that would raise his 'stature'; that it is to raise his stature that Shastri opted for war against Pakistan; and that T. T. Krishnamachari's exit from Shastri government was under US pressure. The author is of the opinion that during Shastri's period "Pragmatism had pre-cedence over ideology." According to him, Shastri's contribution was limited in the economic field because there he felt quite out of depth. Also his period was too short a period for any impact. For 16 out of 19 months of his tenure, he remained vulnerable to the pressures and pulls in and outside the Congress party. And it was a pity that he died just when he had gained the stature to withstand them.

Nayar again poses the question: "After Shastri who?" We are informed that while Nijalingappa and S. K. Patil were in favour of Nanda, Kamaraj clear-ly favoured Mrs. Gandhi, because he felt that Nanda was "such a confused person that he would ruin the country." From the account of the author, one learns how Mrs. Gandhi treated Sanjiva Reddy 'like a door-mat', how Kamaraj wanted the syndicate to support Mrs. Gandhi, how Mrs. Gandhi started expanding in-telligence set-up in the prime minister's secretariat called the Research and Ana-lysis Wing, and how the little woman became a great leader within a few years, both because of circumstances and astuteness.

inner circle stories

The author has given many more in-teresting and revealing goings on in the inner circle not visible to the public. We are told how even as Zakir Husain's wife and daughter wept by the side of the dead body of the president and V.V. Giri was being sworn in as the act-ing president of India, the innumerable family members of V. V. Giri were "sprawling all over the building to select rooms for themselves." We are told how Kamaraj told the author that "Chavan and Morarji came to the under-standing that Morarji would be the Prime Minister till 1972 poll and after that Chavan." Dinesh Singh told the author that "Chavan came to Mrs. Gandhi's side because she offered him the prime ministership after 1972, but when she won hands down in the mid-term poll of 1971, he (Chavan) dare not ask her to make good her promise." But Chavan told the author that while Morarji offered him prime ministership, Dinesh Singh was telling a lie. We are informed how with the treaty with Mos-cow ended India's classical type of non-alignment policy.

Writing of recent developments, the author has informed us that Nehru could survive the debacle against China be-cause of "immense and blind love of the Indian people" for him; Mrs. Gandhi has managed to survive the economic stagnation because there was

none to replace her. The author has expressed the fear that there is no leader and no party in sight to hold out the promise of any relief. Mrs. Gandhi with her 'Garibi Hatao' and Jayaprakash with his total revolution seem to be confronting each other. The author expresses the hope that probably the two can combine to find a way out but also at the same time expresses the fear that "Both appear to be a prisoner of the circumstances and the men they have themselves created. India after Nehru is still waiting for an *avtar*."

What is the impression that is left on the reader's mind after reading *India After Nehru*?

Though the author may have told about a few things which the general readers may not be knowing, on the whole the material dished out to them is what they have already known from newspapers. While reading the book one often gets the impression that one is just reading the back numbers of a national newspaper. The manner and style of presentation is nowhere near that of say a journalist like Durga Das.

What however strikes one most is the intrigue, the petty-mindedness, the jealousy and meanness, the prefidy and lack of morality and the tendency to put self-interest above everything else that pervades amongst the top people who have been democratically elected by the people of India and in whose hands the destiny of the country is entrusted. When one leaves the book, one is inevitably reminded of Winston Churchill's remarks made at the time India was being granted independence ..."you are entrusting the destiny of millions of people in the subcontinent in the hands of men of straw." How sadly true that prophesy has turned out to be!"

Rural Industry

Rural Industrialization is easily one of the finest books on the problems of rural industrialisation and O. P. Jain deserves compliments of all for bringing out this comprehensive and critical volume on this oft-discussed subject.

Most of the developing countries at present suffer from acute disparities in economic opportunities and economic exploitation of their productive resources as between their different economic sectors and regions, giving rise to the inter-sector and inter-regional conflicts. Many developing countries are therefore adopting different programmes for restoring a balance in their distorted economic and social structures. Balanced economic development implies the rural-urban development balance, agro-industrial development balance, and regional development balance. Rural-urban balance on the one hand and agro-industrial balance on the other in a developing country underlie the need to promote rural industrialisation which is a component as much of integrated industrial development as of rural and regional development of a country. The author has rightly emphasised that, "In its comprehensive and constructive form rural industrialisation is a process of technical, social and economic evolution of rural life in a country."

At the grass root level of operations, rural industrialisation will involve such policy decisions and actions as "identification of production potential and product lines, choice of development technology, stimulation of rural entrepreneurship, institutionalisation of production assistance and, lastly, fusion of different development programmes into one coherent programme for the maximum use of productive resources available in a country or in a part thereof." The author has analysed in detail all these policy and programme issues in part one of the book.

regional imbalance

India has been, during the last 25 years, experimenting with different policy measures and action programmes for reducing regional imbalances in general and for promoting rural industrialisation in particular. The author has analysed India's experience in part two of the book for identifying the areas of relative strength and weaknesses in programmes and for isolating the permanent issues which should deserve serious consideration by other developing countries desirous of implementing such [p]rogrammes.

The author has shown how in In[dia] rural industrialisation has got gradu[ally] conceptualised into pilot projects [and] later into rural industries programm[es] and industrial estates. Rural electrif[ica]tion has added a new dimension to [the] process of rural industrialisation in [the] country. Its objective has undergo[ne,] according to the author, a shift from [so]cial to economic aspects of village el[ec]trification so as to signify emphasis [on] the increase in rural productivity throu[gh,] for example, energisation of irrigat[ion] pumps and electrification of industri[es.] The author has dealt with all th[ese] changing aspects systematically and co[m]prehensively.

traditional methods

The author has explained how ru[ral] industries are disadvantaged by traditio[nal] production methods, traditional pr[o]duct composition, traditional mar[ket] mix and by ill-developed industrial a[nd] physical infrastructure in rural are[as.] The author is convinced that it is o[nly] through their operational viability at [the] primary level that each one of them c[an] gradually attain an organic dynami[sm] for future development. The auth[or] has concluded that "the developme[nt] policy of these industries should aim [at] inter-industry coordination and mutu[al] linkages at rural level and also at intr[a-]industry integrated development taki[ng] into account the rural and the urb[an] component..."

Writing about rural industrial estat[es] which are expected to trigger off t[he] industrial development process in ce[r]tain pockets of rural areas, the auth[or] has recommended that the rural indu[...]

estates programme should concen- on identification of prospective duct lines, adequate attention to loca- al requirements, improvement of sport facilities, technological and de- improvements, supply of raw mate- s, managerial and labour training and vision of adequate finance and, no important, choice of an adequate nagement pattern which should be nducive to achieve the optimum results.

On the basis of India's experience author has drawn certain basic essen- ls which should serve as guidelines other developing countries. Accord- to the author, these basic essentials : (i) "delineation of a region/area for e programme, (ii) identification of ospective industries in the selected re- on/area in view of its resource endow- ents and demand pattern, (iii) formu- tion and evaluation of viable indus- ial projects, and (iv) selection of a suitable promotional strategy combining in it such requisites as sufficient and easy institutional finance, developmental technology, management and administrative efficiency, inter-department coordination, and utilisation of aid provided by international agencies for the programme."

O. P. Jain has dealt with the problems of rural industrialisation with great scholarship, analytical ability, competence and insight. The author has done well to bring all his abilities to bear on this vital subject of rural industrialisation because as McNamara has observed: "When the highly privileged are few and the desperatively poor are many—and when the gap between them is worsening rather than improving—it is only a question of time before a decisive choice must be made between the political costs of reform and the political risks of rebellion."

The anatomy of the crisis

India in Crisis : Dr. J.D. Sethi; Published by Vikas Publishing House Pvt. Ltd, Delhi; Pp 233, Price Rs 35.

Reviewed by **S.P. Chopra**

THE WORD "crisis" is used by almost every writer in this country to describe a situation which causes discontent among the masses; it rings alarmist bells in the head and that is why it fascinates many authors. Dr J.D. Sethi is no exception. His 'India in Crisis' is the India of 1975 which sees the problems of today as the cumulative result of the follies of three decades.

The thesis that Dr J. D. Sethi propounds is that the economic crisis of this country is in fact the crisis of politics. For this he blames the political parties, leaders and other institutions which, in his view, have ceased to function according to national objectives.

The ruling elite, says Dr Sethi, created and deepened the crisis and was now incapable of resolving it. Its strategy had four aspects. First, there was the creation of political monopoly of one party. Second, the dishonesty of the elite hurt the middle and the lower middle classes as well as the masses. Third, the three components of the elite—the businessmen, the bureaucrats and the politicians —were trying to establish their supremacy, each over the other two. Fourth, the elite were enlisting the support of foreign powers and ideologies. Moral: The disease this country was suffering from was caused by the dishonesty and hypocrisy perpetuated by the elite since Independence.

In his endeavour to paint a picture which, in his view, was completely dark, Dr Sethi has used strong words to describe all the components of the elite. Throughout the first 25 pages of his book, wherein he has expounded the genesis of the crisis, he has not even a single good word for what this country has achieved so far. Surely, Dr Sethi knew about the physical gains made by this country in agricultural production, Industrial output and services. May be, till September 1974, the pressure of rising prices had been so severe that Dr Sethi saw nothing on the positive side. Here one would like to differ with him as he seems to have over-stated his case.

And talking about revolution, he feels this J.P's movement has blazed a new trail. In his view, the resolution in this country can be no other than the Gandhian revolution for which "the present ruling elite is totally irrelevant". Again, Dr Sethi makes a big assumption that a revolution—Gandhian or otherwise—is round the corner. He forgets that in the agrarian economy of this country, three good agricultural seasons bring about a cheerful climate with the clouds of a revolution disappearing into thin air altogether.

Analysing the post-independence elections, Dr Sethi has predicted "a climate cf permanent elections" till the country returns to political rationality or the closing of thc present system. And in this climate, he sees nothing but a determined Mrs Gandhi winning the 1976 election by hook or crook. And when Mrs Gandhi crosses the 60-years age barriers, both she and the country are expected to enter "the most dangerous, most angry and most fateful decade". He has not explained why after reaching the age of 60, she would not be able to balance the various pressures as well as she has done in her fifties. Has it anything to do with the biological functioning of the feminine system?

role of black money

Any analysis of the "crisis" facing our country is incomplete without a discussion of corruption which centres round black money. A full chapter has been devoted to it. Dr Sethi thinks that the manipulators of black money are on one side and the rest of the system is on the other side while Mrs Gandhi holds the middle position. In other words, it is for her to close this system. The fact that she is defending her corrupt colleagues is undermining her credibility, says Dr Sethi. But he has not cared to analyse why she is obliged to do so. Is it that the funds needs for the elections are so massive that the entire system must be corrupted? Surely, there was corruption in this country even when she was not the prime minister. Is corruption or black money something which she can abolish with one stroke of the pen? Can she expose the black marketeers without hurting herself?

Discussing the role of the Congress party in this country, Dr Sethi thinks that the end of the road has come as it is unlikely to reform itself. To break the present deadlock, a further break-up is suggested for the emergence of a rational system. Again, this is an advice of limited value. One split has made no material difference. Even two more splits may not.

Dr Sethi has displayed a masterly grasp of the behaviour of leftist parties. As a secretary of the India-China Friendship Society in the early fifties, he had rubbed shoulders with some of the comrades who occupy positions of eminence in the leftist parties. So, he has shed a tear or two for the crisis which the leftist parties face.

About one thing he is sure. The CPI will support even the most authoritarian and ruthless rule of the Congress and keep the left perpetu-

ally divided. If the orders from Moscow are otherwise, how does Dr Sethi wish them to operate? Perhaps he has forgotten 1942 and the volte face practised by this "progressive" party.

The book under reference is at once provocative and analytical. One need not agree with Dr Sethi's analysis. But the author deserves credit for having the courage to say things about men in power in a fearless manner.

Fixed deposits in companies

Laws Relating to the Invitation and Acceptance of Fixed Deposits by Companies: K. K. Bajaj and V. R. Kochhar; Bajaj Investment Centre (P) Ltd, United India Life Building, 'F' Block, Connaught Place, New Delhi-110 001; Pp. 158; Price Rs 25.

Reviewed by **B. Ganpathy Sarma**.

Company deposits have recorded an impressive growth during the past decade and the tendency is growing among companies in the non-banking corporate sector to resort to acceptance of deposits from the public to raise resources for meeting their additional financial requirements. But there were cases in the recent past where many unscrupulous companies recklessly borrowed money from the public and eventually defaulted with the result the Reserve Bank had to step in and bring within its perview the hitherto untouched private sector. As the directives issued by the RBI had many draw-backs they were amended subsequently in consultation with the Company Law Board.

recent laws

The laws regulating acceptance of fixed deposits and loans from the public are, of course, recent and they are governed partly by the Reserve Bank and partly by the Department of Company Affairs. Moreover, some portions of the latest Finance Bill, 1975, also apply to the companies accepting deposits from the public. No worthwhile attempt has so far been made to cover exclusively this subject of current and topical interest. In the *Laws Relating to the Invitation and Acceptance of Fixed Deposits by Companies* a praiseworthy attempt has been made by professional men who have been in deposit business for the past 15 years to cover comprehensively and exhaustively all aspects relating to this important subject, making the book thus an excellent source of reference. Besides incorporating the Reserve Bank of India Act as amended up to date, the entire Reserve Bank of India Act has been reproduced with all the latest amendments, in order to enhance the reference and utility value of this publication. All in all, this book will serve as a reliable and valuable guide to the depositing public. Besides it will be extremely useful to all connected with the management of the private and public limited companies as well as to auditors of companies who are now required to inquire into the affairs of companies accepting deposits from the public.

Books received

The Runaway Rupee: Nabagopal Das; World Press Private Ltd., 37-A, College Street, Calcutta-12; Pp 81; Price Rs 20-00.

Freedom of Interstate Trade in India: C.M. Jariwala; Sterling Publishers Private Ltd., AB/9, Safdarjang Enclave, New Delhi-110 016; Pp 271; Price Rs 45.

Problems of Managerial Accounting: Nafees Baig; Sterling Publishers Private Ltd.: Pp 442; Price Rs 70.

The Compulsory Deposit Schemes Acts: C.C. Anajwala; C. Jamnadas & Co., 146 C Shamaldas Gandhi Marg, Bombay-400002; Pp 320; Price Rs 20.

FAI-FAO Seminar on Optimising Agricultural Production under Limited Availability of Fertiliser 1974—Proceedings: Published by the Fertilizer Association of India, Near Jawaharlal Nehru University, New Delhi-110 057; Price Rs 25.

Bibliography of Publications from Economic Research Centres in India: Edited by Partha Subir Guha; Information Research Academy, 37, Sy Amir Ali Avenue, Calcutta-700 01 Pp 393; Price Rs 85.00.

The National Dream—The Last Spik Pierre Berton; The Canadian Publis ers, McClelland and Stewart Ltd, 5 Hollinger Road, Toronto; Pp 511; Pri $ 4.95.

Preference Shares and Company Finance: L.C. Gupta; Published by Institu for Financial Management and Research Madras-600 034; Distributors Vora an Co. Publishers Pvt. Ltd. 3, Round Bui ding, Kalbadevi. Bombay - 400 002 Pp 115; Price Rs 30.

Changing Land Problems of Tribe India: M.L. Patel; Progress Publishers Motia Park, Bhopal; Pp 159; Price R 30.

Monetary Theory and Practice: K.K Andley; Premier Book Co., 4792/2 Daryaganj, Delhi-110 006; Price Rs 25.0 (Library Edition)

Corporote Law and Industria Growth: Report of the Punjab, Haryana and Delhi Chamber of Commerce and Industry; Published by PHDCCI; Pp 235 Rs 20.

Housing (Sector Policy Paper) Published by World Bank, 1818 H Street N.W., Washington, D.C. 20433 USA; Pp 74.

Urban Transport (Sector Policy Paper): Published by World Bank; Pp 103.

TRADE WINDS

Accord on Monetary stem

DING FINANCIAL powers have ed to bridge their differences the outline of new world netary system. A statement ed recently by the 20-nation erim committee of the ernational Monetary Fund F) showed that Finance isters, despite nearly three s of strenuous efforts at is failed to close a gap inly between France and the ited States over the future hange rate system and the e of gold.

ndia has demanded enlarge-nt of the strength of the ecutive boards of the World nk and IMF and parity representation on it bet-en developed and develop-g countries. Speaking at e interim committee of the ard of governors of IMF at ris recently, the leader of e Indian delegation, Mr C. bramaniam also reiterated dia's view that gold should radually and if possible spee-ly go out of the monetary sys-m. On the rates of exchange r world currencies, Mr ubramaniam warned against ontinuing the practice of oating major currencies with-ut proper international sur-eillance.

Third Window Aid

Developing countries are to et "Third Window" aid of 1,000 million, the joint de-elopment committee of the World Bank and International Monetary Fund (IMF) has decided, committee sources stated recently. The aid would be activated in the World Bank's fiscal year starting July 1 "as soon as necessary ar-rangements have been comp-leted". Aid under the "Third Window" scheme would carry interest at four or 4.5 per cent. This is about mid-way between the bank's usual eight per cent rate and the zero rate covered by the International Development Association (IDA).

Loans granted through the "Third Window" would, be earmarked for countries which cannot afford borrowing at the World Bank's regular terms, but are not poor enough to quality for "soft" loans from affiliate, the International De-velopment Association (IDA).

Indian Team to Bulgaria

An Indian economic dele-gation, led by Finance minister Mr. C. Subramaniam, arrived in Sofia for talks on expanding economic cooperation. The delegation took part in the second session of the Bulga-rian-Indian committee for economic, scientific and tech-nological cooperation.

OPEC Decision

The price of oil and na-tural gas will be increased by an unspecified amount on October 1, the meeting of OPEC (Organisation of Petro-leum Exporting Countries) de-cided recently. The final com-munique made no mention of a possible extension of the nine month price freeze agreed last December, when it was stated that the cost of oil might be stabilised for the whole year if there was a "fruitful dialogue" between oil produ-cing and consuming countries. What it did say was "in view of increasing inflation, the depreciation of the value of the dollar and the consequent ero-sion of the real value of the oil revenues of member coun-tries the conference decided to readjust crude oil prices from October 1, 1975.

The gas price hike was fore-shadowedin aparagraph which read "the conference has decided to coordinate gas pric-ing policies in such a manner as to be in line with OPEC oil pricing policy, taking into account the premium attribut-able to natural gas due to its specific advantages. As ex-pected, OPEC decided to switch oil payments from dol-lars to SDRs.

Exports of Cloth

The government has decided to scrap the combined con-trolled cloth export obligation scheme. The cabinet commi-ttee on exports recently accep-ted the Commerce ministry's suggestion to delink exports from controlled cloth output. The committee considered va-rious measures for boosting textile exports but decision were taken only in respect of few aspects. As a measure to boost exports, the com-mittee has decided that textiles export will be eligi-ble for incentives. In cen tives will be to the extent of duties and difference in the price of indigenous cotton and the international price. The maximum quantum of incen-tives will be subject to a cer-tain percentage. Details are being worked out. In order to step up garment exports, a higher rate of incentive has been proposed. The new rate of incentive will be 15 per cent.

Workshop on Revival of Capital Market

The Punjab Haryana and Delhi Chamber is present-ing a workshop on "Re-vival of Capital Market" on July 4, 1975 at Ashoka Hotel, New Delhi. The workshop has been convened in the context of bearish conditions in capital markets throughout India and governmental in-difference to the same. Experts from banks and leading finan-cial institutions, representa-tives from stock exchanges, senior government officials, eminent economists and lead-ing industrialists are expected to participate in this work-shop. Based on the discussions in this workshop, proposals would be sponsored for con-sideration by the government.

New Railway Set-up

A ministerial committee, comprising minister for Agri-culture and Irrigation' Mr Jagjivan Ram, minister of Fi-nance, Mr C. Subramaniam and minister for Home, Mr K. Brahmananda Reddy, is examining the alternatives for restructuring the railway ad-ministration. The committee has sought information from the Railway ministry on seve-ral issues, which suggests that the status quo in regard to the functioning of the Railway Board may not continue. The minister of state for Railways, Mr Qureshi, had stated recently that the Railway Board's functioning would have to be reoriented keeping in view the needs of the chang-ing times.

Jewellery Exports Fall

The declining trend in the exports of gems and jewellery continued in March. A press release by the Gem and Je-wellery Export Promotion Counncil pointed out that the total exports in March amoun-ted to Rs 665.68 lakhs com-pared to Rs 797.03 lakhs in February. Of the total exports in March, diamonds accounted for Rs 529.57 crores, nearly 15 per cent less than the exports in February. The council felt that the duty of five per cent on the import of rough dia-monds, raw pearls and rough precious stones and of 45 per cent on semi-precious rough stones and raw cultural pearls hindered the growth of ex-ports. The credit squeeze had also affected the export promo-tion efforts adversely.

Greece for ECM

Greece has asked the nine-nation European Common Market recently to admit it as a full-fledged member. Mr. Stephen Stathatos, Greek am-bassador to the European Com-

munities handed his government's membership application to Mr Brendan Dillon of Ireland, current chairman of the Committee of Permanant Representatives of Market Member Countries. The council of ministers is expected to discuss the Greek application at its meeting in Luxembourg on June 24.

Suez Surcharge

Shipping conferences coverint the trades between Europe and India, Pakistan and Bangladesh recently announced a 5.5 per cent reduction in Suez surcharge in respect of vessels commencing to load on Eastbound and West-bound voyages at individual ports on June 16. In a notice to shippers, the conferences stated that the reduction was an "interim adjustment" pending a final assessment of the costs involved in the movement of cargo through the Suez Canal.

Seminar on Shipping

The All-India Shipper's Council recently convened a Seminar on the Conference System at Calcutta. The minister for state for Shipping, Mr H.M. Trivedi inaugurated the seminar, in which shippers, shipowners and officials of the Shipping ministry participated. The seminar discussed the structure of conferences, their advantages and disadvantages, adequacy of services, fixation of and increases in freight rates, royalty arrangements and dispensation, and regulation of confencences.

More Tourists

The Tourism department has fixed a target of 15 per cent annual growth rate in the international tourist flow into India according to Mr P.N. Seth, Deputy Director-General of Tourism. He told newsmen recently that on the basis of the target the tourist flow into the country would come to 800,000 in 1978 and one million in 1980 compard to 425,000 last year.

Referring to the various tourism promotion measures despite the limited resources, Mr Seth stated that basic infrastructure in the shape of quality hotels and adequate transport facilities had to be made to encourage foreign tourists. Keeping this in view, the India Tourism Development Corporation (TDC) was opening hotels with Industrial Finance Corporation of India extending assistance for the purpose.

Sikkim Annual Plan

The Planning Commission has approved an outlay of Rs 6.31 crores for Sikkim's annual Plan for 1975-76 which if effectively implemented is expected to benefit the entire rural population. The commission, after an hour-long discussion recently between the Deputy Chairman of Planning Commission, Mr P.N. Haksar and the Sikkim chief minister. Kazi Lhendup Dorji, also agreed to the latter's request that all the four dis. tricts of the state — Gangtok, Teyzing, Namchi and Mangam — be treated as industrially backward districts. Prof S. Chakravarty and Mr B. Sivaraman, members of the commission, and the deputy chairman of the Sikkim Planning Board, Mr Subba also took part in the discussions. The anticipated expenditure on the new state's annual Plan for 1974-75 is Rs 4.62 crores an increase of a little over one crore of rupees over the expenditure incurred on the 1973-74 Plan.

UP Mills Crush More

The UP government has ordered sugar factories in UP not to close till the entire sugarcane in their respective areas was crushed. The government has also issued instructions to factories to clear off early as arrears due to cane growers as possible. According to an official spokesman, a meeting of representatives of 40 sugar mills in the state held recently under the chairmanship of Mr N.D. Tewari, minister for finance and sugarcane reviewed the position regardlng clearance of cane arrears due to cane growers. The meeting was also attended by representatives of seven nationalised banks.

Newsprint Project in Kerala

The Hindustan Paper Corporation, a public sector undertaking under the ministry of Industry and Civil Supplies, is setting up a newsprint plant in Kottayam district in Kerala. The foundation-stone of the project was laid recently by Mr T.A. Pai, minister of Industry and Civil Supplies. This would be the second newsprint project in the country, the first one being located at Nepanagar in Madhya Pradesh.

The Kerala newsprint plant is expected to go into production after three years. It will have a capacity of nearly 80,000 tonnes of newsprint annually. It will bring about a saving of nearly Rs 30 crores in foreign exchange. The total capital cost of this project has been estimated at Rs 100 crores. Designed to have a sales turnover of nearly Rs 30 crores, it will provide direct employment to nearly 2,000 persons. Another 10,000 persons would be employed in the plant's forest and transport operations. Raw materials, such as mechanical and chemical pulp, will be available locally in Kerala.

Exports to Libya

The Arab Republic of Libya has been emerging as an important trading partner of India. The total value of India's exports to Libya exceeded two million Dinars (Rs 5 crores) in 1973, according to the external trade statistics published by the government of Libya. Important Indian commodites exported to Libya in 1973 included coconut, cashew, spices, unmanufactured tobacco, vegetable oil products, natural gums and resins, medicaments, essential oils, organic chemical products, leather goods, rubber products, fabrics of cotton, wool, jute and synthetic materials, tarpaulin tents, woollen rugs, furnishings, cast iron pi and fittings, handtools, va ty of base metal produ textile machinery, diesel gines and pumps, elec power machinery, electric paratus, radio broadcast ceivers, electric light equ ment, automobile equipme cycles, vehicles parts, fu ture, travel goods, readyma garments, footwear, scienti instruments, sports goo jewellery and precious meta

Indo-Rumanian Cooperation

An Indo-Rumanian agre ment on agriculture, irrig tion and water manageme has been signed in New De climaxing the talks held Mr Cornel Pacoste, t Rumanian deputy Forei minister, with Indian gover ment officials. Mr Pacos who was on a six d visit to this countr discussed new projec for bilateral cooperatio with Petroleum and Chem cals minister, Mr K.I Malaviya. He exchange views on economic and soci planning with the Deput Chariman of Planning Com mission, Mr P.N. Haksar.

India and Rumania ha also agreed in principle t collaborate in oil exploratio in Libya. This country is no processing two reports sub mitted by experts of the O and Natural Gas Commissio for exploration of oil i Libya. The teams had visite Libya recently and collecte data and submitted them fo the consideration of the govern ment.

Besides cooperating in th establishment of oil refinerie Rumania has recently bee supplying rigs to the ONGC India has contracted for si rigs to be supplied by Ruma nia at the rate of one pe month from August next During the recent discussion Mr Malaviya sought Ruma nian cooperation in obtainin deep drilling rigs which can g up to a depth of 10,000 met res. Rumania manufacture such rigs and the ONGC wi

work out details with the facturers in Rumania.

dustan Car Prices

ne West Bengal govern- has reduced the sales tax ars manufactured by the ustan Motors from sixteen cent to seven per cent in of the crisis faced by the pany, the chief minister Siddhartha Shanka Ray, ounced recently. Prior to departure for Delhi, Mr said the government had done away with the sur- rge amounting to 10 per . He added that the car ufacturers have agreed to ice the price of their cars Rs 1,000. Together with the f given by the government ounting to Rs 3,000, the l price of Hindustan cars ld come down by Rs 4,000.

Several thousand workers he Hindustan Motors have n laid off by rotation as sale of cars has dropped. Ray said the car manufac- ers had been clearly told t there must not be any renchment and they would e to take to diversification. ey have been asked to go for the manufacture of ni-buses in a large way. e chief minister pointed t that the government had ided to raise the octroi tax cars and trucks coming m outside the state from per cent to three per cent.

od Corporation onsultancy

The Food Corporation of dia has started a consul- ncy service as part of its tivities. The corporation s set up a nucleus group eight experts for providing e consultancy service, with K.K.S. Chauhan, Mana- r, Planning and Research as e coordinator and Dr V. bramanian, a scientist in e field of post-harvest techno- gy and a former Director of e Central Food and Techno- gical Research Institute at ysore as an associate mem- er. According to a spokes- an of the corporation, the onsultancy service is initi- lly designed to provide chnical and scientific assistance to other public and private undertakings in the country. The service will be available for conducting feasibility and techno-economic studies, management systems and optimisation studies and market surveys. It will also offer assistance in modernisation of rice and dal mills as well as other agro-processing units.

Award for TPI

The National Traders Union Congress of Singapore has conferred a special award for the Promotion of Industrial Training in 1975 on Tata Precision Industries Private Limited. Tata Precision Industries Pte. Ltd. (TPI) was promoted by Tatas in 1972 as a joint venture with local interests (Development Bank of Singapore and Sime Darby Holdings Ltd), with technical collaboration and support from Tata Engineering & Locomotive Co. Ltd. TPI was granted pioneer status by the government of Singapore for the manufacture of components for industrial, transport and agricultural equipment (including tooling) and precision metal stampings.

Although the award was given in recognition of TPI's contribution to enhancing the industrial skills and craftsmanship of the workers of Singapore, the citation accompanying the award also referred to TPI's success in the actual manufacture of precision tools. Glowing references were made to the sizeable orders which TPI has already executed for internationally reputed companies such as General Electric, Texas Instruments, Burroughs Machine Corporation, Siemens, Sperry Rand and others. TPI is envisaged as a nucleus tool room which, apart from selling precision tooling to industries in Singapore and abroad, will generate additional engineering and precision equipment projects requiring a high tooling input.

The TPI tool room project completed on schedule, commenced commercial operations in December 1973, and is now engaged in manufacturing highly sophisticated and precision press tools, moulds and dies for the electronic, electrical and allied engineering industries. Currently over 75 TPI products are being exported either directly or through the local subsidiaries of major international Companies. In the year 1974 TPI executed jobs valued over S$800,000 for the local as well as overseas markets in W. Germany, the USA, the UK and Australia.

Centralised Technology

The government will hereafter centralise imported technology and use the public sector to transfer it from unit to unit, stated Brig. B. J. Sahaney, Director General of the DGT & D recently. He was speaking at a conference of Karnataka industrialists and scientists from the national laboratories convened to find out how best the laboratories could be harnessed to speed development. Brig. Sahaney pointed out that the import would be selective and limited to the gaps in research and development. Eighty per cent of collaborations were for the engineering industry. In 4,000 units there were 1,500 collaborations.

It was necessary to prevent multiple imports. In scooters, tractors and watches the public sector units would transfer technology to those who sought it. Mr Baldev Singh who is in charge of utilisation of the Council of Scientific and Industrial Research (CSIR) processes stated that 500 industries in Kerala, Karnataka and Tamil Nadu had used CSIR processes and 90 others those of the metallurgical laboratory. He suggested that the state might start a technological information centre on the lines of the one in Bombay.

Names in the News

Mr Vinay Bharat Ram, Executive Director of Delhi Cloth and General Mills Co Ltd has been relected as the President of the Delhi Factory Owners' Federation at the annual general meeting held recently. **Mr Vineet Virmani** has been reelected as the Vice-President of the Delhi Factory Owners' Federation. At present he is also the Hony. Secretary of Roller Flour Millers' Federation of India.

NEW CONFUCIAN THOUGHTS...1

"Poor inventory control, is good money down the drain."

Control your inventories with
DARO SYSTEMS.
And put your money to better use.

Item designation	Price	Min-Stock level	Stock level	Value
LAMP MOD 40W	12.00	10	990	11,880.00
LAMP MOD 60W	15.00	15	3	45.00
LAMP MOD 100W	20.00	20	26	520.00

An errant spare-part or component holding up a big project, an 'almost-nothing' item which extorts a premium price because it is out of stock and has to be obtained at any cost—these are sad tales from the pages of an organisation saddled with a poor inventory control.

To cope up with today's quick-changing economy and emerge unscathed, you need a tight control over your inventories, so that you are always carrying just the right levels of items in stock.

Put a DARO SYSTEM to work on your inventory And stop putting your money where your mouth-or profit—isn't!

Call BLUE STAR today. Our systems experts will visit you, give a careful hearing to your problems, analyse your needs and come back to you with a custom-built DARO SYSTEM that provides just the right answers to your problems.

Now, isn't DARO a nice four-letter word to use in any hair-tearing crisis?

DARO SYSTEMS ARE ALSO CUSTOM-BUILT AND ADAPTABLE FOR INVOICING, SALES ANALYSIS, ACCOUNTS RECEIVABLE, COSTING AS WELL AS PAYROLL PROCESSING

Available to actual users only, against rupee payment, at PEC controlled prices.

daro SYSTEMS

Exported by
Büromaschinen-Export GmbH, Berlin
German Democratic Republic

Sold and serviced by

BLUE STAR

BOMBAY · CALCUTTA · NEW DELHI · MADRAS
KANPUR · SECUNDERABAD · JAMSHEDPUR
COCHIN · BANGALORE · AHMEDABAD

BLUE-STAR-SPECIALISTS IN ACCOUNTING, INVOICING & DATA PROCESSING SYSTEMS

LAISONS 4338

COMPANY AFFAIRS

... the Retreat

...INESS IN the stock market ... again restricted with ...ities moving in a narrow ...ge. Over the week the ...es, as a whole, drifted low- ... with the all-India equity ...ce index touching a new ... for the year. The capital ...rket continued to be slug-...h. Only the new issues of ...ding and well-managed ...mpanies such as JK Indus-...es, British Paints, Tribeni ...ssues and Boehringer-Knoll ...oked good response from ...e public, all the issues being ...avily oversubscribed. On ...e other hand, public issues ... less well-known companies ...ch as Sica Breweries, it is ...ported, has not been fully ...bscribed and the under-...riters have been called upon ... make up the shortfall. The ...conomic situation continued ... be disturbing. Already re-...ession has set in many a sector ...f the economy particularly ... such areas as engineering, ...otton textiles and jute. To ...ake the situation worse, po-...ver bottlenecks have led to ...ut-backs in production in ...ost states and as in West ...engal to a general lay-off ...f workers. These developments ...ertainly do not bid well for ...he stock markets.

Vijaya Bank

Vijaya Bank has maintained its unbroken record of rapid progress, expansion and development in all spheres of its activities. Its performance in respect of deposit mobilisation, deployment of credit and opening of new branches, is particularly praiseworthy. The bank's deposits made a giant leap forward towards the end of 1974 when it pierced the Rs 100-crore mark and this will remain as one of the most significant landmarks in the history of the bank. The bank's deposits stood at Rs 109.74 crores at the end of 1974 and it outstripped its previous year's performance by as much as 28.61 crores. It is gratifying to note that this deposit growth rate of 35.3 per cent is more than double the banking industry's performance as a whole. This is indeed a creditable achievement especially when the Indian economy has been subjected to serious stresses and strains throughout 1974.

Credit Expansion

The bank's total advances at the end of 1974 at Rs 62.82 crores reflected a healthy growth rate of 20 per cent over 1973. Credit expansion of the banking industry in general was sluggish during 1974 and this naturally affected the growth of the bank's advances as well. The bank expanded and diversified its credit portfolio, progressively. In keeping with its tradition of making available more and more credit to priority and other neglected sectors the bank extended nearly 34 per cent of its total advances to this sector which compares very favourably with the banking industry's average.

The bank continued with vigour its branch expansion programme. During 1974 it opened as many as 48 new branches and as on December 31, 1974, the bank had a total network of 295 offices. As compared to modest total of 21 branches in the year 1962, —most of them situated in South Kanara district—the bank has now the proud privilege of having branches all over India, covering 13 states and the union territories of Delhi, Goa and Chandigarh. The bank proposes to open shortly branches in another six new states during the current year for which it has already received licences. To cope with its fast expansion and to keep pace with both the qualitative and quantitative progress, the bank has started a new department of economics and statistics.

Towards Efficiency

During the year under review the bank introduced mechanised data processing in order to achieve more efficiency and modern accounting methods. More concrete and constructive steps are being contemplated in its organisational structure so that it can face the challenges of the future with robust optimism. Vijaya Bank is essentially a commonman's bank as is evident from the fact that the bank has about 7500 shareholders with a total share capital of Rs 70.70 lakhs which means that the average share holding per head is less than Rs 1000. All in all this commonman's bank is bound to grow by leaps and bounds in the years to come under the able and dynamic stewardship of Mr M. Sunder Ram Shetty.

Raymond Woollens

The strategy of Raymond Woollen Mills has been to combine growth and development in existing fields of activity and seek simultaneously avenues for diversification, both within this country and overseas. Despite many constraints which impinge on growth, Raymond Woollen has to its credit a score of notable achievements. Significant among them being the modernisation of almost the entire manufacturing facilities, intensive research and development effort for making increasing use of locally made synthetic fibres to reduce dependence on and save consumption of imported wool, greater concentration on exports followed by a phenomenal growth in exports, going in for vertical integration by way of manufacture of trousers and jackets for men and designing and fabrication of machinery for the steel files division to meet a major portion of its own requirements and for exports —the exports during 1974 being of the order of Rs 37 lakhs.

The operations of the Raymond Woollen Mills (Kenya) Ltd which were initially confined only to the manufacture of knitting wool, today encompass sophisticated knitwear and mens' and womens' fabrics. The ready made garments plant of Raymond (Mauritius) Ltd, established as an export enterprise, commenced trial operations in the middle of 1974 and has now gone into full commercial production.

Sankey Wheels

Sales of Sankey Wheels Ltd, during 1974 amounted to Rs 385.87 lakhs as compared to Rs 317.10 lakhs in 1973. The increase in sales value has been mostly on account of pricing actions to neutralise the effect of cost increases in steel and other inputs. During the first half of 1974 production was badly affected by continuous labour troubles leading to a lock-out for two months during April-June 1974. Since the reopening of the works there has been a marked improvement in labour discipline. But unfortunately production was again restricted by lack of orders for car and jeep vehicles during the last quarter of the year. Nevertheless, with better product mix and continued improvements in operating efficiency and internal economies the company was able to earn a higher profit of Rs 29.59 lakhs for the year 1974 as compared to Rs 15.76 lakhs in 1973. After providing Rs 7.62 lakhs for development rebate reserve out of these pro-

fit and wiping out all accumulated losses of previous years, a nominal credit balance of Rs 45,600 is left in the profit and loss account.

The passenger car industry still continues to be in difficulty. The demand for commercial vehicle wheels also appears to be stagnating at the current low level. On the other hand cost of certain essential raw materials and other inputs are still on the rise and so are finance charges. With the resultant pressure on profit margin and subdued demand for the company's products, the outlook for the current year does not appear to be encouraging.

Modella Woollen

Modella Woollen has secured a letter of intent for the manufacture of textile machinery. A technical collaboration agreement in principle has been finalised with Houget Duesberg Bosson. The government is being approached for the grant of capital goods licence and for the approval of the foreign collaboration. A letter of intent has also been received for setting up a unit for the manufacture of readymade garments with a capacity of three lakh pieces per annum. An installation permit has been received from the Textile Commissioner to install 1200 woollen spindles at Chandigarh. Necessary steps have been taken to implement this project. A letter of intent has been issued to the company for installing 26 powerlooms at Thana. The government has laid down certain conditions and the company is seeking certain modifications in these conditions. An application has been made to the government for permission to set up a composite woollen mill in Mauritius jointly with another Indian party and an Italian firm who will be the collaborators in the project. The government of Mauritius has approved the project in principle.

Modella Steels and Alloys which is at present the company's subsidiary is setting up a mini steel plant at Ratlam in Madhya Pradesh. The plant is expected to go on stream by the end of 1975. The company proposes to enter the capital market shortly with a public issue of 2,70,000 equity shares of Rs 10 each at par.

Usha Martin Black

The turnover of Usha Martin Black (Wire Ropes) Ltd. improved from Rs 9.64 crores in 1973 to Rs 13.55 crores in 1974. The full benefit of the increased turnover, however, has been off-set by increases in cost. The demand for wire ropes, both in the internal and external market remained fairly satisfactory during the year 1974. Due to paucity of funds with the electricity boards and the shortage of aluminium, the internal demand of ACSR, cable armouring and PC wires continued to be very low in the country. Inspite of repeated request from the industry the government has not still come forward with a realistic wire export policy.

The year under review witnessed a spectacular increase in exports of the company's products. The export sales went up from Rs 1.37 crores in 1973 to Rs 4.69 crores in 1974. It is gratifying to note that apart from the increase in the export value, the products and markets have also been widely diversified during the year under review. The company has also been recognised as an eligible export house by the government.

The end of 1974 marked the completion and commencement of production in the company's machinery division at Bangalore. The company at present has in hand a letter of intent for the expansion of its Ranchi factory to manufacture 1300 M/T of large diameter wire ropes per annum. The company's application for COB licence to continue to manufacture 12,000 M/T steel wires per annum is still pending with the government.

The working of the company during the year has resulted in a higher profit of Rs 120.58 lakhs as compared to Rs 100.63 lakhs in 1973. Out of the gross profit, the directors have allocated Rs 27.31 lakhs to depreciation reserve as against to Rs 23.26 lakhs in 1973, while the provision for taxation was raised from Rs 31.00 lakhs to Rs 41.50 lakhs. This leaves a substantially higher net profit of Rs 51.77 lakhs as compared to Rs 46.37 lakhs in the preceding year. After adjustments, there is a disposable surplus of Rs 59.80 lakhs. Out of this, a sum of Rs 9.87 lakhs was transferred to development rebate reserve and Rs 49.70 lakhs to general reserve, leaving Rs 23,482 to be carried forward to next year's accounts. The directors have recommended a dividend of Rs 1.20 per equity share on the capital as increased by the rights issue. This will absorb Rs 14.21 lakhs and will be paid out of the general reserve.

Nimar Textiles

Nimar Textiles Limited has turned out encouraging working results during the year 1974. Sales went up to Rs 2.82 crores in 1974 from Rs 2.63 crores in 1973. Profit for the year amounted to Rs 31.90 lakhs after providing Rs 8.45 lakhs for depreciation. During 1974, profit was Rs 28.70 lakhs after providing Rs 8.29 lakhs for depreciation and Rs 15.09 lakhs for development rebate reserve. The directors have recommended, subject to the approval of the shareholders at the ensuring annual general meeting to be held on June 25, 1975, for payment of the arrears of dividend on 14,000 C. R. 'A' preference Shares from November 3, 1964 to December 31, 1971 and on 10,000 C. R. 'A' preference shares from April 2, 1968 to December 31, 1971 amounting to Rs 12.48 lakhs out of which Rs 5.64 lakhs will be paid as "immediate dividend" and Rs 3.42 lakhs each by way "deferred dividend".

Indian Hotels

The Indian Hotels Co pany Limited has shown cellent working results duri the year ended March 1975. Both the Taj Mah and the Taj Intercontinent owned and operated by t company in Bombay were ful operational during the yea The company's turnover h increased substantially duri the year and the company total income rose to Rs 726. lakhs from Rs 582.27 lak during the previous year r cording an increase of R 144.25 lakhs or about 25 p cent. After providing R 49.39 lakhs for depreciatio and Rs 52.21 lakhs for inte rest, the company's net prof amounted to Rs 98.37 lakhs No provision for taxes wa necessary. After transferrin to development rebate reserv Rs 1.45 lakhs and making ad justments for the previou year's income tax amountin to Rs 0.02 lakhs the amoun available for appropriation i Rs 96.90 lakhs of which R 9.69 lakhs being 10 per cen has been transferred to th general reserve and th balance Rs 87.21 lakhs, car ried forward.

The directors of the Indian Hotels Co. Ltd have recommended the pay ment of dividend of Rs 9.3 (previous year Rs 9.30) on the 9.3 per cent cumulative re deemable preference shares of Rs 100 each and a dividend of Rs 1.80 (previous yea Rs 0.64) on the ordinary shares of Rs 10 each. Out of Rs 1.80 dividend recommended on ordinary shares a sum of Rs 1.20 will be payable on and after July 23 1975, and the balance of Rs 0.60 will be payable in two equal instalments of Rs 0.30 each together with an interest a eight per cent per annum in July 1976 and July 1977.

Besides the Taj Mahal Hotel and the Taj Intercontinental owned and operated in Bombay, the company also operates the Lake Palace Hotel in Udaipur, the Rambagh

Hotel in Jaipur, the Coromandel in Madras the Fort Aguada Beach at Goa and also ex- to operate a resort hotel velong Beach near Mad- be known as 'Fisher- Cove', under construc- by the end of 1975.

vs and Notes

ufthansa German Airlines een able to produce a ive balance sheet for —clearing a total profit M 64.5 million, Thus the of DM 45.7 million in being deducted from the profits, leaves a net t of DM 18.8 million. turnover rose by 33.6 cent to a total of DM 3 million, the increase lting from a 12.3 per growth in demand. Luf- sa will declare in July 5, the dividends of five per and four per cent on pre- ed and ordinary shares, pectively. Holders of pre- ed shares will receive an itional five per cent for aid dividends for 1973.

ew Issues

Wheels India Ltd, belong- to the well-khown TVS up, will be approaching capital market with a lic issue of 4,40,000 equity res of Rs 10 each at a mium of Rs 1.50 per share. um of Rs 6.50 is payable application—Rs 5 on ital account and Rs 1.50 premium account—and balance of Rs 5 is payable allotment. The subscrip- n list opens on June 27. is said that the company ets the major demands for eels of all original equip- nt manufacturers in the intry. The company's pro- cts command a good mar- for quality. Its factory situated at Padi near adras. The basic raw terials for the manufac- e of wheels are at present ostly imported. The com- ny hopes to get its require- nts of plates and sheets om local steel mills.

The company also has a heme to export its products various countries. The object of the present issue is partly to finance its expansion programme. The cost of expansion is estimated at Rs 152.60 lakhs and it is proposed to be financed by the present issue of Rs 50.60 lakhs, including the premium, while, the balance of Rs 102 lakhs will be raised from internal resources. With the implementation of the expansion plan for the manufacture of 7.5 lakh wheels and doubling of capability for producing tank wheels and top rollers, the profitability of the company is expected to improve further. After the proposed public issue the foreign shareholding in the company will be reduced to about 35.91 per cent from the present 44.93 per cent.

Apollo Tyres Ltd is setting up a giant automobile tyre project at Chalakudy, the heart of the rubber belt in Kerala. To raise part of the resources required for the implementation of this Rs 25.59 crore project, the company will be entering the capital market on August 4. It will be offering to the public 4,65,000 equity shares of Rs 10 each and 75,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each both at par. The project is being executed in collaboration with the world famous General Tire International Company of the USA. The plant will have an annual capacity of five lakh tyres and tubes and 3,000 tonnes of camel back repair material. The plant is expected to go on into production in 1976.

It is claimed that the company will be the first to start in the country manufacture of radial tyres. These tyres have have bright export potential. The company will also be producing superior quality conventional nylon truck tyres. The company will utilise 70 per cent of its capacity for the manufacture of truck tyres and the remaining 30 per cent for tractor, jeep, ADV scootor and car tyres. The project cost of Rs 25.50 crores will be financed by the equity capital of Rs 8.50 crores and term loans of Rs 17 crores.

Vikrant Tyres Ltd will be entering the capital market shortly with a public issue of Rs 4.25 crores comprising 325,000 equity share of Rs 10 each and 100,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each. The company is setting up a plant to manufacture five lakh tyres and an equal number of tubes per annum with Czechoslovakian collaboration. The plant will be located near Mysore city. The management hopes to commission the project by August, 1976.

Stormac India is setting up a plant at Vatva near Ahmedabad for manufacturing automatic rotary screen printing machines and their accessories and spare parts. These machines are used in the printing section of the textile industry for producing high quality printed fabrics at cheaper cost. The company proposes to enter the capital market soon with a public issue of 2,45,000 equity shares of Rs 10 each at par. Of the capital of Rs 50 lakhs, equity shares of Rs 20 lakhs will be taken up by Stork and Rs 5.50 lakhs by its Indian promoters. The capital outlay on the project is estimated at Rs 101.27 lakhs and will be met by the share capital of Rs 50 lakhs, term loans from State Bank of India of Rs 24.50 lakhs, from Gujarat State Financial Corporation of Rs 25 lakhs and deposits of Rs 1.77 lakhs.

Capital and Bonus Issue

Consent has been granted to 14 companies to raise capital of over Rs 9.67 crores. The details are as follows:-

The Tata Power Co Ltd have been accorded consent, valid for three months, to capitalise Rs 1,13,37,900 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every five equity shares held.

The Perfect Circle Victor L'd, Bombay, have been accorded consent, valid for a period of three months, to capitalise Rs 11,85,500 out of its general reserve and issue fully paid eqnity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The New Jehangir Vakil Mills Co Ltd, have been accorded consent, valid for three months, for the isse of bonus shares of Rs 11,99,400 out of their general reserve.

The Pradeshiya Industrial and Investment Corporation of UP Ltd, Lucknow, has been accorded consent, valid for 12 months only, for issue of Rs 250 lakhs in 25,000 (10.25 per cent) debentures of Rs 1,000 each, for cash at par to the general public by a prospectus. The debentures shall be payable to registered holders only.

The Blundell Eomite Paints Ltd, Bombay, have been accorded consent, valid for three months, to capitalise Rs 38,00,000 out of its share premium account and general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

The Vardha Lakshmi Mills Ltd, Madurai, have been accorded consent, valid for three months, to capitalise Rs 14,00,000 out of its general capital redemption reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Bojaraj Textile Mills Ltd, Madurai, have been accorded consent, valid for three months, to capitalise Rs 10,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Tata Hydro Electric

Power Supply Co Ltd, have been accorded consent, valid for three months, to capitalise Rs 22,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus shares for every 12 equity shares held.

The Tata Power Co Ltd, Bombay, has been accorded consent, valid for 12 months only, for issue of Rs 200 lakhs in 11 per cent (1975—84) privately placed convertible debentures of Rs 1,000 each for cash at par, to the financial institutions. The debentures shall be payable to registered holders only.

The Andhra Valley Power Supply Co Ltd, Bombay have been accorded concent valid for three months, to capitalise Rs 37,00,500 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Madras Rubber Factory Ltd, Madras have been accorded consent, valid for three months, to capitalise Rs 1,21,87,140 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus shares for every two equity shares held.

The Dharam Pal Prem Chand Pvt Ltd, Delhi, have been accorded consent, valid for three months, to capitalise Rs 4,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

The Diamond Shorock (India) Ltd, Bombay, have been accorded consent, valid for three months, to capitalise Rs 8,20,000 out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Sudershan Chemical Industries Ltd has communicated to government its proposal to issue capital under clause 5 of the Capital issues (Exemption) Order, 1969, to the value of Rs 130 lakhs in 13,00,000 equity shares of Rs 10 each for cash at par, to the public by a prospectus.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Indian Hotels	March 31, 1975	18.0	6.4
Same Dividend			
Rolcon Engineering	Dec. 31, 1974	15.0	15.0
Alexandra Mills	Dec. 31, 1974	Nil	Nil
Empire Jute	July 31, 1974	Nil	Nil
Zell-Ate	Dec. 31, 1974	Nil	Nil
Sandoz (India)	Dec. 31, 1974	12.0	12.0
Reduced Dividend			
Anil Starch Products	Dec. 31, 1974	10.0	15.0
Aruna Mills	Dec. 31, 1974	11.0*	20.0
Arvind Mills	Dec. 31, 1974	11.0	22.0
Cibatul	Dec. 31, 1974	9.5	10.0
Frick India	March 31, 1974	Nil	8.0
Kamani Engineering	Sept. 30, 1974	Nil	10.0
Indian Vegetable Products	Dec. 31, 1974	15.0	17.0

*On enlarged capital

Readers' Roundtabl

Ancillary industries: great potential

Sir—The belated government policy of encouraging small-scale and ancillary industries has not yet borne fruit. The net result of this policy has been as given in table below.

According to latest available statistics, public sector units have set up 154 ancillary units with a total investment of Rs 274 lakhs. Production of these is around Rs 500 lakhs and the total employment generated comes to 2,680. So the ancillaries have a high investment and production ratio of nearly 1:2; also high employment potential and as is evident from the figures given above that Rs 10,000 is required to create one job as against nearly one lakh required for creation of a job in the organised large scale industry. This investment could be reduced to as low as Rs 5000 per capita in the field of electronics. Therefore about 20 categories of industries have been listed for intensive development as ancillaries.

Progress of Ancillary Industries

Public sector unit	No. of ancillaries	Investment (Rs lakhs)	Production (Rs lakhs)	Employ ment
Bharat Electronics	11	14	29	351
Indian Telephone Industries	20	46	155	520
H. M. T.	51	100	72	907
H. E. L., Bhopal	28	42	108	225
B. H. E. L., Trichi	10	16	32	427
Heavy Engg. Corporation	34	56	N.A.	250
	154	274	496	2680

Japan, more than any other country, has realised the high employment and industry potential of small scale and ancillary industries. This sector contributes 50 per cent of Japan's industrial output and 70 per cent of employment. As against this the small scale industr sector in India contribu only 40 per cent of the ind trial output.

In the private sector, or certain companies like Tel at Jamshedpur and Roy Enfield at Madras have ma some noteworthy effort promoting ancillaries. Th efforts of other large pr ducers have been virtual negligible. Out of a tota number of 31,800 small scale units registered with th state directorates of indus tries in 1973 only about 7,60 units were registered as an cillaries. And there wer some bogus units in smal sector. "South Asian coun tries," Professor Myrda wrote, "now run the risk o creating petty islands o highly organized western type industries that will re main surrounded by a sea o stagnation. If this is to b averted, industrializatior must be so directed and sc complemented by policies ir other fields as to promote simultaneous development out side the sphere of moderr large-scale industry." And by "outside" he meant agricul ture, small-scale and ancillary industries.

yours etc.

SANTOSH KUMAR RA

Howrah-I,
West Bengal

Vijaya Bank Ltd.

Registered Office : Light House Hill Road, Mangalore-575003.
Administrative Office : 2, Residency Road, Bangalore-560025.

Statement by the Chairman, Sri Mulki Sunder Ram Shetty, t the 43rd Annual General Meeting f the Shareholders of the Bank held at Mangalore, on June 4, 1975.

Sri M. Sunder Ram Shetty
Chairman

ies and Gentlemen,

It is my pleasure to-day to come you to the 43rd ual General Meeting of Bank. The Directors' ort and Audited Accounts the year ended 31st Dece-er 1974, have been in your ds for sometime now and h your permission, I shall e them as read.

IATIONAL ECONOMY

The year 1974 continued xperience inflationary pres-es as in the year 1973 and fact gathered further mentum during the first f of 1974. As a result, nomic situation prevailing he country appeared un-trollable at one stage. onetary and fiscal measures en by the Central Govern-nt and the Reserve Bank India during the second half of 1974, did produce results, in 'containing' price rise to a large extent towards the end of the year.

The indication of the 'fury' of the price increase during the last two years can be seen from the fact, that while the Wholesale price index increased from the base level of 100 in March 1962 to 200 in July 1972, it shot up to 300 in May 1974. In other words, while it took more than 10 years for the price index to rise from 100 to 200, the index reached 300 in a period of less than 2 years, the highest point of 330 having reached in September 1974.

However, if the success achieved on the 'price front' during the last 6 months can be maintained through the remaining part of 1975, it would be a great achievement, because inflation is the worst enemy of the country and sacrifices should be made by all sections of the society to meet such 'crisis' in order to maintain allround progress and development of the National Economy.

BANKING INDUSTRY

In recent years, Banking Industry has shown one of the highest growth rates in terms of deposits, advances and number of branches. The year 1974 however was an abnormal year for the Banking Industry as far as deposits are concerned and the deposit growth was less than 15% which is one of the lowest in recent years. Total advances made by all commercial banks in the year 1974 have also shown a decelerating trend in its growth rate. Lower credit expansion of the Banking Industry is due to the continuance of the stringent 'credit control' measures introduced by the Reserve Bank of India and the following of a policy to make bank credit 'dearer' which resulted in a healthier climate of credit planning and financial discipline. The Bank Rate was raised from 7% to 9% effective 22nd July, 1974, the increase being the largest in the history of Indian banking.

Commercial banks in general, have made further progress in making banking activities available to larger sections of the society by opening nearly 1700 branches in 1974, making a total of 18,180 branches throughout the country. As a result, the average population served per branch in the country gets reduced to nearly

30,000 as compared to more than 60,000 five years ago.

OUR BANK

Deposits

It is gratifying to note that the year 1974 is yet another milestone in the history of our bank. Despite the adverse economic conditions prevailing in the country which resulted in one of the lowest growth rates in deposit expansion by the Banking Industry in general, our bank has maintained its tradition of marching ahead in terms of deposit mobilisation advances and opening of new branches. The 'Giant Leap' made by our bank towards the end of 1974 when we crossed the 100-crore mark in our total deposits, will remain one of the important landmarks in the history of our bank. Our total deposits at the end of 1974, stood at Rs 109.74 crores, which reflects an increase of Rs 28.61 crores over the figure of Rs 81.13 crores in 1973. This growth rate works out to 35.3% which is more than double the Industry's average. The additional deposit mobilisation of Rs 28.61 crores in 1974, is more than the total deposits of our bank in 1970.

Advances

Our total advances at the end of 1974 stood at Rs. 62.82 crores which shows a growth rate of about 20% over the year 1973. Credit expansion of the Banking Industry in general was sluggish in the year 1974 due to the stringent credit control measures in force throughout the year, which naturally affected the growth of our banks advances also.

Branch Expansion

As regards expansion of branch net work, we opened 48 new branches in the year 1974, taking the total number of branches at the end of 1974 to 295. As compared to a total of 21 branches in the year 1962, most of them situated in South Kanara District, we now have branches all over India covering 13 States and the Union Territories of Delhi, Goa and Chandigarh. We propose to open branches in another 6 new States during the current year, for which we have received licences.

Priority Sector

In accordance with the social objectives set forth before us, I am glad to state that our bank has endeavoured its best to actively participate in making available to the priority and other neglected sectors. Our advances to priority sectors in 1974 are nearly 34 per cent of our total advances which compares favourably with the Banking Industry's average.

Foreign Exchange

I am indeed very happy to mention that our performance in the field of foreign exchange business during 1974 is satisfactory, considering the unsettled conditions in the international markets and slackness in the expansion of world trade. We are now covering a wider area in terms of commodities and clientele in the field of exports. We have 11 branches dealing in foreign exchange throughout India with an effective net work of 123 overseas correspondents in the world's major commercial and trading centres.

Staff

Being essentially a service industry, human factor plays an important role in banking. During the year 1974, nearly 800 employees have been trained in different fields of banking, mostly at our own training college and also at other centres in India and abroad. The total staff strength has increased from 3,244 in 1973 to 4,298 in 1974. Owing to the faster expansion of the bank we have been able to generate additional avenues of employment which enables us to absorb a large number of unemployed youths in the country. Although our efforts in this direction are only a drop in the ocean, it is a matter of satisfaction for us in that we are able to fulfil one of the most urgent and important needs and objectives of a developing country like ours. From a mere 176 employees in 1962, the total employees in our bank has increased to 1160 in 1969 and at the end of 1974, we had nealy 4300 employees.

Organizational Change

Pursuant to our fast expansion and in order to keep pace with both the qualitative and quantitative progress of our bank, we started a new Department of Economics and Statistics. During the year under review, we introduced Mechanised Data Processing in order to achieve more efficient and modern accounting methods. Further, preliminary work on our own Administrative Office building in Bangalore, is already under way and construction work is expected to commence shortly. This aims at meeting the increasing demands for space in years to come and to provide better facilities and working conditions for our staff.

Industrial Relations

It is a matter of pride for all of us to note that we continue to maintain cordial and happy relationship among all our staff, who are maintaining the unique tradition of contributing their best to the organization.

GENERAL

Rural Base

Banking industry in India has undergone considerable change during the last 5 years. One of the significant changes which has taken place is the spread of banking activities in the 'Rural' centres. Five years ago, the proportion of rural branches to the total branches of all commercial banks was about 25% which gradually increased to 36.5% at the end of 1974. As against the above, our bank, historically speaking, had always maintained its 'Rural' base because during the last 5 years, the proportion of rural branches for our bank has been considerably higher than 30% reaching the highest level of 46% in 1972. In 1974 out of the total of 295 branches, we had 117 branches or nearly 40% in the rural areas, which is higher than the average the Banking Industry. above special characteristic our bank is also reflecte our deposit mobilisation the total number of dep accounts. Nearly 98% our deposit accounts h balances of Rs 10,000 less. In other words, the a rage deposit per acco comes to around Rs 1,600. is also interesting to note t inspite of our fast expans during the last 4 years w regard to our deposit mob sation, the average deposit account remained more or constant around Rs 1,600. T clearly indicates the fact t our deposit mobilisation c tinues to emanate from general public and establis fully the 'mass' base of bank's activities and sho that the 'common man' c tinues to be our all importa patron.

Common Man's Bank

As a matter of interest, would also like to menti that our shareholders, gener ly come from the comm stock as it is evident from t fact that we have about 7,5 share holders with a to share capital of Rs 70. lakhs which means that t average share holding p head is less than Rs 1,000.

CONCLUSION

I do appreciate the un served, continued support a co-operation from all my c leagues on the Board. I e press my sincere thanks to of them.

My thanks are due to mem bers of staff at all levels the bank for their faithful a dedicated service.

Thanks are also due to our shareholders and cust mers for extending us the co-operation and help, direct and indirectly, in making t functioning of our Bank su cessful. I cherish the con dence they have reposed us.

Thank you

Note: This does not purport be the proceedings of t 43rd Annual General Mee ing of the Bank.

RECORDS AND STATISTICS

...nance ministry ...te on exports

...MINISTRY of Finance ...prepared a note regarding ...xport policy which sug... certain vital changes. ...example, it is the view of ...Finance ministry that the ...cy of giving cash assistance ...export promotion should ...iscontinued. In its place, ...vised import entitlement ...cy should be devised which ...ld cause no burden on the ...equer and should make ...of the middlemen's profits ...nports for subsidising ex...s. Full text of the note ...ven below:

...e basic assumption of this ... is that India today ... the physical, techonologi... managerial, and marketing ...astructure and resources ... achieve a major break...ugh in exports. What is ...ded to achieve such a ...kthrough is not a prolife...on of promotional agencies ... decisive action designed ...make exports systematically ...profitable if not more than ...e sales.

...xploited Potential

It is also clear that ...tors with a major unex...ited export potential are: ...ineering goods, chemi...s and allied products, ...tiles, including readymade ...ments, iron ore, marine ...ducts, leather goods, gems ...l jewellery and handicrafts, ...luding hand-made carpets. ...all these sectors (with the ...ssible exception of iron ore ...ich is predominantly the ...blic sector), if exports are ...ficiently profitable, there will be a progressive expansion of capacity and for a rise in the share of exports on total production.

At present, the two most important instruments of export promotion in use are: compensatory cash support and import entitlement scheme. As they currently operate, neither of these two schemes, can provide the needed stimulus for achieving a major breakthrough in exports.

Progressive Coverage

When the two schemes were originally designed after the devaluation of 1966, their coverage was limited to a small segment of India's export trade. As such, the administrative task for an efficient administration of the two scheme was manageable. This can no longer be taken for granted now that India's export structure has been considerably diversified and, as a consequence, there has been a tendency for a progressive increase in the coverage of the two schemes (notwithstanding attempts in 1973 and 1974 to do away with cash assistance in certain areas). Since even a theoretically perfect but administratively cumbersome scheme is unlikely to be productive of results, sheer administrative viability demands a second look at the current instruments of export promotion.

Even otherwise, the two schemes as presently conceived, can never form the basis of a dynamic expansion of capacity designed to satisfy export demands. Thus the present scheme of cash assistance, based as it is, on the so-called marginal cost pricing principle, by definition rules out the possibility of expansion of capacity explicitly for exports. As long as the scheme is operated on the principle that the purpose of cash assistance is to compensate exporters for the difference between marginal price costs (or variable costs) and f.o.b. export price, export sales are unlikely to cover even fixed costs (leave aside the rate of return on capital).

As a result, exports under such a system will always remain a residual element in business strategy, to be increased or decreased depending on the relationship between utilisable capacity and domestic demand. Moreover, whatever little incentive the scheme might otherwise had in inducing businessman to take a longer term view of export markets was effectively destroyed by ill-conceived attempts in the last two years to adjust the level of cash assistance to the state of export cycle. These attempts at fine-tuning forgot that a sustained increase in the exports can come out of enhanced capacity and that fiddling with rates of cash assistance from year to year does not help to create confidence in expansion and that instead it encourages get-rich-quick type mentality.

Adding to Profitability

The import entitlement scheme does add to the profitability of exports. However, the implicit profit on exports is highly unstable since its magnitude depends not only on the rate of import replenishment but also on the eligible shopping basket for imports under the scheme for legal or illegal transfer of REP licenecs, the degree of tightness of the import policy for actual users and the state of domestic production of importables. In all these areas, there are frequent changes in policy. Because of these factors, a major part of profit on allowable imports accrue not to exporters but to professional speculators and middlemen trading often illegally in REP licences.

The fact that despite a proliferation of export incentives since 1967, the share of exports either in industrial production or in national income has not changed materially during the last eight years is a clear indication of the failure of existing instruments to create an environment in which exports can grow faster than both the rate of industrial production and national income—a condition which has to be satisfied if India is ever to become self-reliant.

We must, therefore, have a fresh look at our instruments of export promotion. In recent official thinking in the ministry of Commerce, one can identify the emphasis on the following four instruments for increasing the profitability of exports:

(a) Import entilements;
(b) Cash assistance;
(c) Fiscal incentives by way of relief on taxation of export profits; and
(d) supply of raw materials at international prices.

Indiscriminate Subsidisation

A simultaneous use of all these instruments is bound to be administratively expensive. In addition, it may well produce the phenomenon of indiscriminate subsidisation, unrelated to the actual need for subsidy in promoting exports of a product. It is, therefore, essential to see if our objectives could not be better served by reliance on fewer rather than a larger number of instruments. In the fowlloing paragraphs we discuss the relative merits of various instruments and the policy that may be feasible. Before further work can proceed in working out administrative details of these mechanism, a clear guidance from the Cabinet Committee on Exports may be essential.

In the present situation of strained financial resources position, the use of import entitlements as a means of export promotion has considerable attraction. As against cash assistance, this method of export promotion achieves the needed subsidisation of exports not at the cost of exchequer but at the cost of the profits of middlemen engaged in import trade. The

basic elements of a viable system of this nature will be as follows:

(i) A large part of import of industrial raw materials and intermediate products would be effected against import entitlement licences issued in favour of exporters. Consumer goods or other goods for which there is ample production in the country will not be eligible for import. Subject to this limit, there will be freedom to import all items included in the eligible list.

(ii) The percentage of import entitlement will vary broadly from one sector to another depending not on the actual import content of exports but on the needed degree of subsidisation to make exports competitive (subject of course to a cut-off point determined by the target effective export exchange rate), and

(ii) There will be no restrictions on transferability of import entitlement licences.

One drawback of the scheme sketched above is that the effective export exchange rate will fluctuate from time to time. This is however, not a major handicap since it appears that at least in the next five years or so, India's balance of payments position will be extremely tight so that the movements in the implicit export exchange rate yielded by the import entitlement scheme are, on balance, likely to favour exports.

Leakage of Exchange

A further drawback is the leakage of a part of foreign exchange for "non-essential" purposes. However such a diversion could be checked both through an effective system of industrial licensing as well as through a judicious use of excise duties to curb non-essential consumption. The removal of restrictions on transferability of imort entitlements will impart a great measure of flexibility for planning industrial production and will also help to eliminate the blackmarket gains currently pocketed by peddlers in REP licences.

An alternative to the system outlined in earlier paragraphs would be a revised system of cash assistance under which the magnitude of cash assistance will be fixed at a level which will equalise, on the average, ex-factory realisations on exports and home sales. Here too rates of cash assistance will have to be fixed on a broad sectoral basis and attempts at rigid fine-tuning will have to be avioded. One advantage of this system will be that the export exchange rate will be explicit so that entrepreneurs will be able to plan their export activity with greater degree of certainty. In addition, the cost of the system will also be explicit and will be subject to detailed public scrutiny. Moreover if the rates of cash assistance are fixed on the basis of principle suggested here, we could do away with the drawback scheme as well as with subsidies on export credit.

Major Drawback

A major drawback, however is that the cost of financing the scheme may involve a very considerable increase in the burden on the exchequer (Rs 300-400 crores per annum). Moreover, since in addition to profitability, the availability of critical imported inputs may also be an effective constraint on an increase in exports, it will be necessary to retain the REP scheme, even under the new system of cash assistance, though in a low key form. However, under the revised set up, the import REP scheme could be merged with actual users licences scheme, leading to considerable administrative simplification.

Recently there have been suggestions that in order to boost exports, there should be a concessional treatment of export profits related either to share of export sales or to some measure of incremental export effort. As regards the concessional treatment of all export profits this is a method which may lead to an indiscriminate subsidisation at a significant cost to the exchequer. Thus a 50 per cent reduction in the rate of company tax on export profit will involve the exchequer a loss of at least Rs 150 crores per annum. At the same time, there will be no assurance that promising export industries will receive the right amount of incentive. And given the present rates of corporate taxation in India, even the total exemption of export profits from company taxation may lead to an implicit subsidy on sales, which is less than 25 per cent of f.o.b. value of exports.

Relief in Taxation

The replacement of the present scheme of cash assistance by relief on taxation of export profits may, on the margin, reduce the incentive to export. Thus, the method of export subsidisation will particularly discriminate against predominantly export oriented new ventures which are expected to earn a modest gross return in initial stages of their operation. If the tax relief is linked to incremental exports, the cost to the exchequer can be greatly reduced. However, there will be a considerable administrative cost in operating such a scheme and in addition it is easy to show that in a regime of inter-connected undertakings, tax rebates may be earned by unscrupulous exporters acting in collusion even though there is no net increase in national exports.

It is sometimes suggested that an export subsidy, which takes the form of direct cash assistance is more likely to invite retaliation and anti-dumping duty in an importing country than will be the case if the subsidy takes the form of rebate on export profit. It is also suggested that the former type of subsidy being known to importers induces them to beat down Indian export prices. Clearly sophisticated importers or importing countries will be able to detect subsidy element in rebate on export profits as effectively as cash assistance. As such no particular significance need be attached to this set of arguments.

For all these reasons, the rebate on export [profits] would appear to be [much] less powerful an incentiv[e for] increased exports than the two alternative systems c[onsi]dered earlier in this note.

The supply of raw mate[rials] at international price to ex[por]ters can help to reduce [the] costs of production but [by] itself this may not constitu[te a] powerful incentive in a reg[ime] where the profitability of h[ome] sales is much higher than [that] of exports. Moreover, wh[ere] raw materials are availa[ble] locally, their producers [may] not have an adequate incen[tive] to make them available [to] exporters if sales on the h[ome] market are more lucrati[ve]. Besides, once we depart fr[om] some homogenous raw ma[te]rials, the calculation of int[er]national prices can itself [be a] very tedious operation.

Choice of Instrument

The foregoing accou[nt] makes it clear that for a m[ore] effective export policy, t[he] real choice is between a rev[is]ed system of import enti[tle]ment and a revised system [of] cash assistance. Fiscal co[n]cessions in the form of reba[tes] on export profits or arrang[e]ments for the suppply of ra[w] materials at international pric[es] are unlikely to provide [as] effective a stimulus to expo[rt] promotion as the first tw[o] alternatives.

Once exports a[re] made adequately profitab[le] there will be a powerful ince[n]tive to expand production f[or] export and provided no oth[er] policy induced barriers a[re] created to the expansion of e[x]porting firms, we would ha[ve] laid the foundations of an e[x]port policy for a self-reliant e[co]nomy. Once we make up o[ur] mind as to the choice of t[he] preferred instrument of expo[rt] promotion, operational deta[ils] of the system could be work[ed] out in the next few month[s] and the new system cou[ld] come into operation wi[th] effect from the next financi[al] year.

oice of business

AN INTERESTING element in the current political situation is the way the business community has been rallying to Mrs Gandhi's cause. Mr K. K. Birla who, until y, was the president of the Federation of Indian Chambers of Commerce and ry, has issued a statement to the press, holding that there is no substance in emand for the prime minister's immediate resignation on the basis of the bad high court judgment. There, perhaps, was a specific reason for his doing ce he happens to be the chairman of the board of directors of *The Hindus- mes*, which had earlier pleaded editorially that Mrs Gandhi should uphold the of Indian democracy by relinquishing her high office even while her appeal to preme Court was in the process of being filed; Mr Birla, obviously, wanted ublic to know that he had a different point of view.

e resolutions passed by a number of chambers of commerce or other business s based on Calcutta, however, have a more general import. Observers, inclined cynical, might suggest that the affirmation of confidence in Mrs Gandhi's ship of the government and the country, which these organizations have made such fervour and alacrity, is not entirely unconnected with the excellent rela- existing between the chief minister of West Bengal and the businessmen in state and is in fact a measure of the influence he commands in those circles. may have a point, but it would be over-simplifying matters to leave it at that. ruth seems to be that the business community is genuinely convinced that the ress party under Mrs Gandhi's leadership is a valuable *plus* factor in the pre- tion or promotion of national unity, political stability and other basic condi- essential to the orderly economic progress of the nation.

his need not necessarily amount to an endorsement by businessmen of the s of the indispensability of the leader which the Congress mandarins have been -selling to the masses these days. But it does mean that a very large number em feels that the business community has a stake in the reins of government ining in the hands of a prime minister who could be trusted to hold together Congress party which, in their view, is the only party at present capable of en- ng stable administration at the centre. In other words, so long as the Congress y itself continues to place its faith in Mrs Gandhi as its only possible leader, nessmen, by and large, are likely to keep extending their material and moral port to her prime ministership. However, should that party itself decide, perhaps force of circumstances, that it will have to provide itself with a new leader, the ness community may be expected to go along with that development willingly in the most hopeful spirit.

In our view, it is important that the nuances of this attitude should be properly widely understood in the country. In expressing its support for the prime ister, the general body of businessmen is not standing up to be counted among idolaters of any personality cult. On the contrary, it is only emphasising the ortance to the national interest, including the interest of the business community, he ruling party being held together for the sake of political stability, particular- t the level of the central government. The stress here is therefore not on any ticular person remaining prime minister, but the ruling party remaining strong l united; the issue of its leadership becomes relevant only to the extent that the der must be one who could, in the view of that party, effectively contribute to its ngth and unity. There is, of course, nothing undemocratic in the business com- nity or any part of it preferring one political party to others on its evaluation of ir relative capabilities for serving the country or its goals.

eastern ECONOMIST

JUNE 27, 1975

Adjustments in money market

THERE ARE indications to suggest that the banking system has completely adjusted itself to the new situation arising out of the hike in oil prices and accentuation of world inflation. At this time last year it was wondered in banking circles whether at all the lending institutions would find it possible to meet all the needs of borrowers in the different sectors and observe at the same time statutory obligations in respect of liquidity without resorting to liberal use of the facilities for refinance and for borrowing under the bill market scheme. With fairly stable level of oil prices and strict control over the flow of imports of crude oil and deficit petroleum products the oil refineries and the Indian Oil Corporation have completed their adjustments relating to the new requirements of working capital. There is no definite idea of the additional assistance from the banking system for maintaining higher priced oil stocks. But it can be roughly estimated that on average stocks of five million tonnes of crude and petroleum products, the additional credit would be about Rs 150 crores. This adjustment may have of course been carried out over a longer period as the increase in prices became effective from the beginning of 1974. However, having regard to the existence of earlier lower priced stocks the full impact might have been felt during the last 12 months.

The recent trends in international prices for main commodities seem to indicate that the earlier attempts of the developed countries to soak the importing developing countries and others with higher priced manufactured goods, have not fully succeeded and the artificial character of the earlier rise in prices has even been uncomfortably exposed. With no pressure on account of imported inflation, the anxiety of consumers all over the world has been to reduce inventories of imported items. This kind of thinking is probably responsible for the indications in recent months of a definite easing of pressure on the scheduled commercial banks in this country.

An analysis of the data relating to these banks for the 12 months ended June 6, 1975, shows that there has been a definite depletion of inventories in some directions and even with the use of sizeable funds by the trading corporations of the central government and public sector units advances have risen by only Rs 1,101 crores against Rs 1,455 crores in the corresponding period in 1973-74. The additions to deposits in the 12-month period under reference were Rs 1682 crores. As the investments in government and approved securities were not quite attractive, after the upward adjustments in deposit rates, only the bare statutory obligations are being observed — In order to improve profit margins or rather prevent an erosion of these margins, there is no better management of cash resources. This explains why borrowings from the Reserve Bank are at a lower level as compared to the previous year along with the outstanding amount under the bill market scheme.

Apart from there being a slower pace of credit expansion, which may be ascribed to the strict control exercised by the Reserve Bank, the task of the lending institutions has been facilitated by the falling level of physical inventories and the anxiety to liquidate high priced stocks. It should be said that a good part of the increase in credit in the year ended June 7, 1975, was mainly on account of the public sector. The assistance extended to the Food Corporation and other agencies for procurement purposes has been responsible for an increase of Rs 240 crores. The huge stocks of fertilisers, steel, non-ferrous metals and intermediate chemicals should have been responsible for the locking up of funds to the extent of Rs 400 crores and if it is remembered that there has also been an increase in stocks of sugar by over eight lakh tonnes in the same period, the credit made available to other classes of borrowers could not have been more than Rs 400 crores.

As the accounts of the major nationalised banks for 1974 emphasise the fact that fresh loans have been granted liberally to agriculturists and small entrepreneurs the large and medium-sized industries in the private sector and the organised trade did not seek the assistance of banks in a big way or were not allowed to do so. If it is also rem bered that there has been an accum tion of cloth and yarn with the te units and the trade is not stocking esse commodities as before, it has only t presumed that the slower rise in inte prices and fall in international prices discouraged inventory building up. strict control exercised by the lending i tutions has also been a contribu factor.

It has however to be examined at stage whether the new norms prescril inventory levels are working satisfacto and whether it will not be desirable to rutinise more helpfully the inventory le of individual borrowers and relax cr limits wherever necessary. It should be possible to lower interest rates and m gins as it has been found that inter charges as a percentage of profits bef depreciation and taxation and after i rest charges are working out to unco fortable levels and the direct net ef has been to erode profit margins.

The lending institutions may even compelled to reduce advance rates a some months. It is likely that the h stocks of fertilisers, non-ferrous met and intermediate chemicals will be brou down to normal proportions before S tember this year and with replaceme being effected on a cheaper ba there may be a release of funds up to e Rs 500 crores. It is unlikely howe that there will be any significant reducti in buffer stocks of foodgrains while su stocks at the end of September may higher by eight lakh tonnes as compa to the previous year. This would me that there would be a release of funds o in respect of eight lakh tonnes from t peak levels. This will of course resulting in a reduction in advan against sugar stocks by about Rs 1 crores.

Is it correct therefore to expect th between now and the end of October th will be a contraction in advances agai imported items referred to abo and sugar by over Rs 600 crores? Allo ing for the possibility of an increase advances in some directions by Rs 1 crores, the member banks will be in position to wipe out completely t amount borrowed from the Reserve Ba

the released resources. As it is [illegible] that fresh additions to deposits in [m]onths will be over Rs 700 crores the [b]orrowing programme of the central and [state] governments can be successfully [com]pleted and borrowing under the bill [mar]ket scheme also substantially re[duc]ed.

[T]here is of course the possibility [of h]igher prices for cement, coal and steel [lead]ing for larger credits. But the extra [dem]and on this score may not be more than Rs 100 crores as the additional production will be concurrently absorbed by the home market or through exports. The latter half of the current slack season may therefore witness highly significant developments in the money market. It is of course important that a careful watch should be maintained on imports and the mistakes of last year avoided. It will then be possible for the banking system to liberalise credit limits and lower even interest rates without being obliged to borrow heavily from the Reserve Bank.

their economic growth may not only come to a standstill but also in some cases may even turn negative.

The plea of the developing countries, which are deficient in oil resources for an international arrangement for keeping up the prices of their primary products at reasonable levels, thus, assumes heightened significance. The need for doing so, of course, has been accepted by most of the advanced countries, but they are reported to be still hesitant in taking action in this regard simultaneously with the hike in oil prices. The oil exporting countries are backing the plea of the developing countries and are said to be not averse to putting up oil prices only gradually if a dialogue can be had by them and other developing countries with the advanced countries on the entire issue of the prices of raw materials. The advanced countries should do well to shed their hesitancy to have parallel negotiations in regard to at least the more important primary products along with oil.

An increase in the prices of primary products as well as oil, of course, will add to the current inflationary tendencies in the world economy. But the rigours of global inflation can be mitigated if the advanced countries can contain the prices of their exports through improved productivity. This is imperative if the global inflation is not to be allowed to feed itself through an uptrend in the prices of primary products and oil leading to a corresponding increase in the prices of the exports of the advanced countries. The producers of primary products obviously will then again press for an increase in the prices of their export items. This should not be allowed to develop into a vicious circle. Once a reasonable relationship is established between the prices of raw materials and manufactured products, global inflation can be easily taken care of.

Meanwhile, the recent discoveries of oil in the North Sea and elsewhere in the world should augur well for the global economy. It might soon again be disproved that the world is heading for exhaustion of oil resources in none-too-distant a future. Of course, judicious use of oil will be warranted henceforth as oil resources once used up cannot be replaced.

[O]PEC's Gabon [D]ecision

[TH]E EXACT impact of the decisions taken [at] Gabon recantly by the Organisation [of] Petroleum Exporting Countries (OPEC) [ma]y not be known until the economic [co]mmission of the organisation meets [an]d makes its recommendations for the [ne]xt ministerial conference of the body. [Bu]t a significant hike in the prices of [cr]ude oil, which had been nearly quadrup[le]d in a short span of 18 months to the [th]ird quarter of 1973 and raised gradually [th]ereafter till the end of last year in an [in]direct way by increasing royalty rates [or] narrowing the differentials between the [po]sted prices and the prices charged by [th]e oil companies and for direct sales by [th]e producing nations, cannot be ruled [o]ut. Not only the OPEC has given speci[fi]cally a notice of a hike in the prices of [c]rude oil with effect from October 1, but [a]lso the switch-over for oil quotations [f]rom the US dollars to the Special Draw[in]g Rights (SDRs) — the new paper cur[r]ency for international monetary tran[s]actions — will have a similar effect. In [f]act, the reason given by the OPEC for [t]his switch-over is to protect the real [e]arnings from oil exports which are said [t]o have gone down due to the deprecia[t]ion of the US dollar in the recent past.

The increase in oil prices on account of switch-over for oil quotations from the US dollars to the SDRs may result even before October 1. It can be anything upto 35 per cent, depending on the oil importing country and the date from which the switch-over is effected. This is the extent to which the currencies of severa developing countries at least have depreciated in relation to the SDRs since July 1 last year when the link between the SDRs and the US dollars was replaced by a system of valuation of the SDRs in terms of a basket of the currencies of the 16 countries which had a share in world exports of goods and services in excess of one per cent on an average during the five years to 1972.

Whatever might be the justification for the OPEC to protect the real value of oil exports, the implications of a further significant hike in oil prices for the developing countries at least are very serious indeed, especially when the unit values of their exports — by and large primary commodities — have gone down considerably in the recent past under the impact of recessionary tendencies in the advanced countries. The high unit-values of primary export items, the IMF oil facility and the bilateral aid arrangements made by the petroleum exporting countries with some of the developing nations have enabled the latter till now to finance their essential imports of crude oil. But surely the mounting burden of the external debt of the developing countries which do not produce oil — or do not do so in adequate quantities — cannot be viewed by them with equanimity. The steady decline in their own export earnings, which trend may gather further momentum if the economies of the advanced countries receive fresh jolts from the hike in oil prices, obviously would compel them to cut down their imports further. Till these countries are able to diversify their energy sources adequately — undoubtedly a time consuming process —

Ships, shippers and Suez

THE GOVERNMENT of India has been lately giving greater importance to the promotion of exports but unless the difficulties of shippers are also effectively tackled, our efforts to augment the earnings of foreign exchange will not have the desired effect. Mr V.D. Chowgule's presidential address at the 8th annual general meeting of the All-India Shippers' Council, held in Calcutta on June 16, reveals that our exporters continue to be severely handicapped on account of uneconomic freight rates, inadequate availability of shipping space, and inefficiency at the ports. Last year, shippers received notices of freight increase from almost all the Conferences and shipping lines serving Indian trade but only the India/Pakistan/Bangladesh/UK/ Continental Conference cared to discuss the matter with the Shippers' Council. "I have to record with regret", said Mr Chowgule, "that, by and large, Shipping Conferences serving our trade still do not feel it necessary to hold negotiations with shippers on revision of freight and other matters".

Prof. D. P. Chattopadhyaya, the Commerce minister, who inaugurated the annual meeting of the Shippers' Council, suggested that there should be a continuous dialogue between shipowners and shippers and a closer identification of their interests. He said that the shipping lines could be persuaded about the adverse effects of any unilateral action on their part only if the Shippers' Council was equipped with comprehensive data and the required organisational strength. Even so, effective liaison between shippers and the Confernece lines cannot be established unless the government of India exercises its influence with the developed countries to ensure that the Conference lines conduct themselves in such a way as not to harm the interests of the developing countries.

It is significant that the Code of Conduct for Liner Conferences, initiated under the auspices of the United Nations, is not receiving prompt and adequate support from the developed countries. Mr Chowgule disclosed that the shipping industry of some of the developed countries had mounted "intensive pressure against the ratification of the Code" which seeks to place the relations between shippers and shipping conferences on a more rational basis. Mr Chowgule suggested that if the Code could not come into operation, the developing countries would have to adopt "national legislation" to protect their trade and shipping interests. But to what extent will such legislation be really effective in safeguarding India's interests?

An important point raised by Mr Chowgule related to the role of replacement costs of ships. He said that the India/UK Conference had been insisting on providing replacement on the basis of new and modern vessels though most of its members continue to operate with vessels which are even 20 years old. He complained that this practice gave "a distorted picture" of the cost of moving goods. He said, "The shippers are penalised both ways. Freights are linked on one hand to operating costs of slow moving vessels whose operation and maintenance costs are high because of the age and, on the other, to replacement costs of capital-intensive modern vessels, not a single of which had been put into service on this trade by the foreign shipping companies. We are definitely of the view that depreciation should have a relationship with the value of existing vessels as it is difficult even to hazard a guess as to what replacement ships will actually be pressed into service in future on this route" The government of India should examine this matter and see to it that while the shipping companies are enabled to operate profitably, they do not fix the freight rates so as to make our exports uncompetitive.

Both Prof. Chattopadhyaya and Mr Chowgule referred to the impact of the reopening of the Suez canal on India's foreign trade and the need to reduce and restructure the freight tariff. The Commerce minister called upon the Conference lines to come forward share the benefits arising from the duction in operational costs with t shippers. Mr Chowgule said that t existing freight structure had beco "so complicated because of the Su surcharge and the bunker surcharge th the mere abolition or modification these two elements would not help arrive at a correct picture of reasonab freight rates". He suggested that t economies accruing to the shippi lines from the shorter voyages and oth factors should be carefully studied befo arriving at the new freight structure.

In the meanwhile, conditions Indian ports should be substantially im proved so that the shipping compani can operate without incurring unnece sary losses. Whatever benefits a expected from the reduction in voyag time will be neutralised unless there quick turn-round of vessels at the port Mr Chowgule said that if the port cha ges were to be raised, the port manage ment should be able to provide reason ably efficient services to shipper Otherwise, shippers would be penalise for the ports inefficiency.

Mr Chowgule gave "a friendl warning" to major ports. He sai that if shippers found that the cost of handling cargo at these ports becam prohibitive, they might think of diver ting their cargo to other ports. Bu is there really much scope for shipper to divert their cargo to other ports What is the guarantee that the condi tions in these ports will be satisfactory The government of India should giv greater attention to improve the work ing of the major ports especially Calcutta which handles a substantial portion of our foreign trade. The shippers also should do their best to speed up the movement of cargo. Prof. Chattopadhyaya advised shippers to switch over to the practice of presenting their cargo in units such as pellets and slings so that the ships can handle it with greater speed. The problem of export promotion therefore has to be tackled effectively over a wide field if the new incentives offered by the government of India are to have the desired impact.

FROM THE CAPITAL'S CORRIDOR

R. C. Ummat

The "Third Window" • Petroleum Consumption • Basic Drugs Manufacture • Trade Deficit

THE DECISION of the joint Development Committee of the World Bank and the International Monetary Fund (IMF), at its last meeting at Paris early this month, to establish a third window for providing economic assistance to the developing countries having per capita incomes of less than $375 per annum, on terms midway between those governing the loans granted by the World Bank and the International Development Agency (IDA), has been welcomed in the official circles here, even though this window is to be kept open for the time being for only one year starting from July 1.

A sum of one billion dollars is proposed to be disbursed through this window during the 12 months to June 30, 1976. This assistance will carry about four per cent interest, as against 8.5 per cent charged by the World Bank on its loans. The IDA loans carry no interest, but a service charge at the rate of 0.75 per cent is levied on them.

maturity period

The maturity period of the loans to be made available through the third window will be around 20 years, as against 50 years (including 10 years' grace period) for the IDA loans and 7 to 8 years for the loans from the World Bank.

India will be eligible for assistance from the third window as it falls in the catagory of the countries entitled for receiving this assistance.

Talking to newsmen here last week soon after his return from Paris, after attending the meetings of joint Development Committee of the World Bank and the IMF and the 20-nation Interim Committee of the IMF, the union minister for Finance, Mr C. Subramaniam, revealed that the aid disbursement through the third window would be in addition to the assistance being made available by the World Bank and the IDA. The former will not supplant the latter. It will only supplement the World Bank and IDA assistance.

IMF membership

Referring to the deliberations of the Interim Committee, Mr Subramaniam disclosed that there was a danger of our country losing representation on the Executive Board of the IMF as a result of our IMF quota going down from 3.22 per cent to 2.94 per cent under the sixth revision of these quotas. Under this sixth revision, the combined quota of the members of the Organisation of Petroleum Exporting Countries (OPEC) has been doubled from five per cent of the aggregate to 10 per cent at the expense of the combined quota of the developed countries, but the share of the developing countries, which are not members of the OPEC, has been just maintained at the old level of 32 per cent. The distribution of the combined quotas of the OPEC and the developed nations has been decided upon. That of the combined quota of the developing countries is being finalised.

We might not, however, lose representation on the IMF Board for another five years, added Mr Subramaniam, as our quota was still the largest among the developing countries and also the vast size of our population could not be ignored.

We might as well continue to have representation on the IMF Board even after five years if the two suggestions under consideration about the reconstitution of this Board are accepted. Those are: (i) increasing the strength of the Board from 20 to 22 members; and (ii) effecting of parity in representation between the developed and the develo
countries.

The decisions on several other
portant issues before the Interim C
mittee, Mr Subramaniam stated, ha
be postponed till September as conse
could not emerge on them. In regar
the nearly 150 million ozs. of gold
serve with the IMF, for instance,
view was that this reserve sh
be returned to the contribu
member countries, while another
that the IMF should be free to
with the matter as it wished.

There was also a compromise pro
sal to the effect that about 20
cent of the IMF gold should
taken out. Half of the quantity ta
out should be returned to the memb
and the other half sold in the o
market or to the oil exporting co
tries. The profits, thus, made should
earmarked for creating a trust fund
the benefit of the poor nations.

general feeling

There was, of course, a general fe
ing that the central place occupied
gold in the international monetary s
tem should be replaced by the Spec
Drawing Rights (SDRs). It was a
generally agreed that the central ba
of various countries should be allow
to dispose of their gold stocks at mar
prices. There were, however, reser
tions on the part of some in allowi
these banks to purchase gold at mar
prices.

The case with exchange parities w
no different. Opinions could not be
conciled on how soon the world shou
return to fixed exchange rates by she
ding the present practice of floati
currencies.

No decisions could also be taken
the continuation of the oil facility b
yond the current year as well as on t
creation of a special trust fund for hel
iug out the developing countries whi

acute balance of payments pro-
.

* *

Although the consumption of petro- products has registered a moderate ease in the first four months of the ent calendar year, the union ministry etroleum and Chemicals feels that if e is no further increase in crude oil es, there should not be any difficulty neeting the essential requirements. A e in the prices of crude oil by the t Asian countries with effect from ober 1, envisaged in terms of the isions taken by the Organisation of roleum Exporting Countries (OPEC) Gabon about a fortnight ago, however, y upset this expectation. The degree he upset will depend on how sharply crude oil prices are stepped up and on our export earnings and assis- ce available for financing oil imports.

The inventories of all products at key distribution centres in the coun- are stated to be adequate at present. is proposed to augment them further ring the current slack season so that cal shortages in the next busy season, rting in October, can be obviated.

A preliminary analysis of the data for e first four months of the current lendar year, conducted by the ministry cently, reveals that the overall con- mption of petroleum products during ese four months went up by about 2.2 r cent from the level during this period st year.

This, of course, is not considered an nhealthy trend as the major increases ave been there in the consumption of nly naphtha (18.6 per cent), diesel oil 2.7 per cent), aviation turbine fuel 14.5 per cent), bitumen (13.3 per cent) nd liquified petroleum gas (9 per cent).

elow expectations

The increase in the consumption of aphtha, in fact, has been below ex- pectations. The ministry had planned for a larger consumption of this product, but it did not materialise due to the delays in the commissioning of the Tuticorin and the Barauni fertilizer pro- jects, the continued technical constraints at the Durgapur and Cochin plants and the shutting down of the Zuari unit due to the pollution problem. As a result, exports of some 60,000 tonnes of naphtha had to be arranged early this year in order to maintain crude throughput at the refineries.

The increase in the consumption of ATF has been partly caused by nearly 25 per cent larger sales to the international airlines and partly due to normal operations of Indian Airlines. Early last year, the operations of Indian Airlines had been affected a great deal by the employees' strike.

The consumption of diesel oil is stated to have gone up due to freer availability of the product compared to the last year. In April, restrictions on diesel supplies for power generation were also relaxed in the states in which there was acute scarcity of power. The case with LPG has been no different; concerted efforts had been made early this year to maximise the output of this product.

The consumption of motor spirit too went up during January-April this year but very modestly—just by about 1.2 per cent over that during the corresponding period last year. It was, however, still lower by about 22.5 per cent compared to the consumption in these four months in 1973. Before 1973, the annual growth in the consumption of motor spirit used to be about four per cent.

declining trend

The consumption of kerosene, furnace oil and lubricants and greases, however, continued to show a declining trend during the four months of April last, the fall in their sales being of the order of 2.1 per cent, 12.8 per cent and 8.6 per cent, respectively. Bitumen consumption too has adopted this trend recently though during the January-April period it was higher than last year.

Incidentally, in view of the somewhat comfortable supplies of furnace oil, the quota restrictions imposed last year on the use of this product have been relaxed a bit. The licensing of new industrial units based on furnace oil, however, continues to be discouraged.

The consumption of petroleum products in 1974 came down by about three per cent compared to the 1973 level as a result of the measures taken to contain it following the hike in crude oil prices. Earlier to 1973, the average growth in demand for these products used to be about nine per cent per annum.

* *

In a bid to maximise the output of basic drugs which are not produced in the country in adequate quantities at present, the Indian-owned concerns, both in the public and the private sectors, manufacturing these drugs are understood to have agreed to hold consultations among themselves on the processes they are pursuing so that they may switch over in the near future to the process which yields the maximum output. Consultations in respect of a couple of drugs are said to have been initiated already. Some 37 basic drugs have been identified for this purpose.

* *

The latest assessment of our preformance on the external trade front last year reveals that while exports during the 12 months ending March 31, 1975, aggregated to Rs 3,253 crores, imports totalled up to Rs 4,349 crores. In the preceding year—1973-74—exports had been of the order of Rs 2,523 crores and imports to the tune of Rs 2,925 crores. We, thus, had an adverse trade balance of Rs 1,096 crores last year, as against a bare Rs 402 crores in 1973-74.

Notwithstanding the sharp setback to our exports of jute goods and cotton textiles in the recent past, the export earnings during April this year have been quite encouraging. They amounted to Rs 234.96 crores, as against Rs 175.96 crores in this month last year.

Imports during April this year around Rs 304 crores, on the other hand, were significantly lower than in April last year when they aggregated to Rs 330.9 crores.

The official circles, however, continue to view the export outlook this year with concern as recessionary tendencies still persist in many advanced countries and there have been significant declines in the unit-values of our several export items.

Inventory management for cost consciousness

D. K. Pothuval

MATERIALS management and inventory control assume an important position in our industry. Materials represent 40 to 75 per cent of the sale price of a product (Table I.) The inflation in industrial raw-materials during the past year has been estimated to be 21.6 per cent. Emphasis therefore, has to be placed in Indian industries on increasing productivity and reducing costs. A saving of even five per cent in material cost would substantially increase the profit margin of an enterprise.

TABLE I

Materials as Percentage of Total Cost

Iron and steel (finishing processes)	70-75
Electric wires and cables	70
Iron and steel (melting and rolling)	67
Motor vehicles	60-70
Chemicals (general)	55-60
Mechanical engineering (general)	50-60
Electrical engineering	40-55

Nearly 16 per cent of the entire capital invested by an average Indian industrialist is blocked in finished inventories and nearly 23 per cent of his capital is tied up in purchased materials lyings unused. A major portion of the working capital is expended on inventories. If inventory is properly managed, prices can be effectively checked. The National Convention on the subject "Curb inflation through effective materials management" also stressed the same point.

individual phases

The area of inventory management (IM) covers the following individual phases: Determining the size of inventory to be carried ('inventory' means stock or detailed schedule of goods held at a particular point of time, denoted in quantities and worth); establishing timing schedule; purchases and lot sizes for new orders; ascertaining minimum safety levels, co-ordinating sales, production and policies; providing proper storage facilities; arranging the receipt, disbursement and procurement of materials; developing the forms for recording those transactions; assigning responsibilities for carrying out the IM functions; and providing the reports necessary for supervising this overall activity.

IM defined

The IM is defined as "the process of balancing from holding additional stocks against their marginal cost." Materials management includes IM and the latter forms one of the aspects of study of the former.

An indepth study of the foregoing individual phases requires technical knowledge in the areas of procurement, production, materials handling, etc. As a result, many inventory decisions are made by persons within the purchasing and production departments. The financial executive is only one of the persons in top management concerned with the levels and fluctuations of investment in inventories. Production executive who is concerned with keeping the production operations going smoothly and at minimum cost, and sales personnel who is concerned with maximising sales and full service to customers, are closely related with IM policies and practices.

A clear analysis is required in taking spending decisions. In the process, there are certain pitfalls to be avoided in evaluating investment decisions. Investment analysis requires a clear and sound understanding of several factors such as obsolesence, deterioration, economic life v/s commercial life, corporate income-tax, salvage value, hazards and risks, safety, changes in the purchasing power of the currency, irreducibles and capital use rate. It is similar, in certain respects, to capital budget decisions.

The subject of cost has not been sufficiently covered in the existing literature on IM. The problem is complicated because these costs vary from company to company and it becomes difficult to make generalisations. Evalution of these cost is difficult as most of them do not appea on accounting records per se. In man cases, they are difficult to isolate and i some cases they have to be estimated o the basis of whether they are long-terr or short-term costs.

The most critical cost in inventory i of capital tied up in the inventory. It i expressed as a percentage of the valu of the inventory and is based on past ex perience. But it can vary with time a conditions change. Generally, it is se at the level which management polic may dictate.

Evaluation of the cost of shortages i also difficult because one can hardly know what the costs are if there is a failure t comply with an order.

cost of establishment

The cost of the inventory contro should not be overlooked as it involves human and mechanical effort which costs money. Different control systems have different costs and produce different results. This consideration should be a factor in deciding which system is to be employed.

Table II shows that inventory in the public sector is very high: Over the years there has been an increase in the number of public undertakings as well as

TABLE II

Public Undertakings and Their Inventory

Year	No. of public undertakings	Total Inventory (Rs in crores)
1967-68	55	873
1968-69	61	1094
1969-70	68	1187
1970-71	78	1493
1971-72	84	1800

inventory but the increase in otal inventory is disproportionate.

Table III below gives inventories of typical cases of the public sector ertakings, the Hindustan Steel Ltd Air India. In the first case it remed stationary for three years and e second case it went up.

They signify the possibility that inories may not be turned into cash ugh normal sales without a loss. risks can be traced to three basic ors; decline in price, product deterioon and obsolescence.

ntrol system

Various systems have been developed business firms to control their intory. The ultimate objective of intory control programme is to provide ximum customer service at minimum t. Various techniques used to achieve objective of IM are : value analysis, C (Always Better Control) analysis, nputerization, linear programming, d-time analysis, EDP, EOQ, Operan Research, Ergonomics, cost audit l variety reductions, etc.

IM includes inventory control. The st satisfactory inventory control sysn is one which is based on extensive dies and reviewed every now and n to coordinate it with changing nditions. Here it should be borne mind that the administration this type of dynamic inventory ntrol is expensive, and this fact one prevents its further consideration those firms where management is of poor quality. Even large firms ry certain items which do not rrant constant review because posble losses arising out of their efficient procurement are not as great the administrative expenses of more ecise control.

Materials control is the regulation the functions of an organisation in the procurement, storage and usage of materials in such a way as to provide an even flow of materials without creating excessive investment in stock. Here come in the role of IM as some degree of production planning, foresight and departmental co-ordination are essential for the proper functioning of any system of materials control, as the responsiblities for different functions of material control are entrusted to different departments. The following are the main functions of materials control: Purchasing; receiving; inspection; storage; issues; maintenance of inventory records and stock audit.

An effective IM can reduce but not eliminate business risk. A sound system of inventory control can aid in minimising the effects of such risks as they can be measured by probability and other studies.

the problems

The larger the range of requirements, the greater the number of problems of inventory — investment, procurement, storage, handling, accounting, shortages and stockouts, deterioration. etc. Inventory control, thus, demands a conscious and scientific effort at maintaining an adequate inventory with the minimum investment of capital. The materials which are not indigenously available are to be imported. The import of raw materials has become a problem now-a-days due to the policy of the government where only the State Trading Corporation can deal with it.

The efficiency of IM comprises the following:

1. Accuracy of the forecast of requirements;
2. reducing the administrative lead time to the minimum;
3. purposeful programming and phasing of purchases;
4. selectivity based on value, criticality;
5. selection of vendors;
6. procedure for paying suppliers and receipts, inspection and movements of materials purchased;
7. consciousness and calculation of the costs associated with both excessive investment and stock-outs and the determination of optimum safety levels, etc; and
8. a meaningful system of reporting on the improvement of inventories, surplus and their disposal.

TABLE III

Inventories in Terms of Monthly Consumption

	1967-68	68-69	69-70	70-71	71-72
industan Steel Ltd. (stores & spares)	31.0	28.4	24.0	24.0	24.0 (remained as it was)
ir India	56.4	43.2	33.6	36.0	60.0 (went high)

economic use of materials

The material wasted around a factory may be a serious source of loss, particularly if the material has high intrinsic value as in the case of copper and brass. These wastes may be on account of many reasons. Systematic and constant effort should be made to collect and store all scrap so as to recover as much value as possible and also to keep the factory clean.

In nearly every store-room, we can observe old materials for which there is no apparent use. It is usually from two sources:

(i) over-ordering of materials for special jobs: Special materials are always a hazardous investment, and attention should be given that no more is ordered than will give the minimum margin of safety. Here the role of managerial decision on inventory control is great.

(ii) Changes in design: The engineering department can save a lot of money by avoiding wasteful use of indirect materials and supplies which is a source of great loss, especially in plants.

The IM should be such as enables a cost-keeping system which could furnish accurate records of all expenses incurred on materials. It is a powerful means of regulating expenditure.

An integral feature of industrialisation in the country is the evergrowing need for diversified stores, their effective distribution and utilisation and thus to have a well-planned inventory control. Here lies the importauce of IM. In the third Plan over Rs 5000 crores were spent on stores and equipment by all the companies in the country and in the fourth Plan, this amount went up to over Rs 21000 crores.

Credit controls excercised by the

Reserve Bank of India have helped in reducing inventories of industries. In addition price increase and general scarcity of raw materials have not only discouraged inventory hoarding, they have also induced a decline in inventory as can be seen from Table IV.

TABLE IV

Inventory-Sales Ratio (per cent)

1955	29.33
1957	32.24
1962-63	30
1963-64	28.84
1964-65	28.36
1965-66	28.75

Effective inventory-taking will go a long way in checking abnormal expenditure on material losses. Preparation of summarised reports will throw light on slow-moving or obsolete materials. A close control over repair materials serves as an aid to the purchasing department and prevents over-ordering. It assists in avoiding expensive delay by insuring that certain items which are needed will be available at the right time. The adaptation of "mechanical brains"—great labour savers—has become necessary in many large companies in the country. Gradual employment of "Automation without tears" is suggested for best results.

Frequently there is a temptation to depart from the normal procedure because of a rush of incoming material or because of a sudden need for certain material in the shop floor. The little time saved by shifting from the standardised procedure is more than nullified by the complications and losses that arise from this makeshift arrangement. It should not be forgotten that methods provide a useful tool for the management and are a means to an end. They form a very satisfactory basis for inventory control. However, no me-thod of inventory control can be s-stituted for managerial judgment. [In] fact, managerial discretion of a h[igh] order is needed in choosing the pa[rti]cular method of inventory control to [be] used as well as in actually carrying [out] that control.

Nowadays, there is a cry for us[ing] the electronic computer machi[nes] with the so-called "mechanical brai[ns]" for inventory controls. It is proba[ble] that large companies will use th[em] more extensively as time progres[ses]. Changeover to automation is inevita[ble] but it is desirable that there is g[ra]dualness in that change. Obviou[sly] export-oriented production calls [for] quick employment of mechanical brain[s].

The best IM should strike a bala[nce] between the "mechanical brains" [and] the traditional method and then ins[ure] that the balance arrived at is faithfu[lly] accomplished in daily operations.

Economics of hybrid vs local maize

R.B. Singh and Dr P.V. Krishna

STUDIES IN the cost of cultivation are of importance from two points of view. It helps the planners in deciding whether the cultivation of a particular crop is economically advantageous in a region, and in formulating the price policy for various agricultural commodities. A good price policy in turn provides an incentive to the cultivators in adopting improved technology and thereby maximising agricultural production.

Maize is one of the principal crops in Ludhiana district. In the winter season people prefer maize to any other cereals. Ludhiana district ranked first in coverage (93,600 hectares), total production (2,00,000 tonnes) as well as productivity (21.32 quintals per hectare) in growing maize in the whole of Punjab state during 1972-73. Compared to 1960-61, the area under maize had increased by 164.4 per cent in 1973-74 from (38,800 hectares to 1,00,200 hectares). During that period the production has increased by 219 per cent (from 55,900 tonnes to 176,300 tonnes). Maize occupies 18.00 per cent of the total cropped area of Ludhiana district. Ludhiana district shares 16.73 per cent and 22.08 per cent of the total area and total production of maize in the whole of Punjab state. This increase in the area and production of maize by using marginal lands may be attributed to increasing demand for maize, growing population and increasing irrigation facilities. However, the area under hybrid maize in Ludhiana district is significantly lesser compared to the area under local maize (6000 hectares out of 1,00,200 hectares).

In view of the importance of the maize crop in this area a study of cost of cultivation can be of great significance to the planners in the future extension of the area under maize.

The main objectives of this article are to:

1. study the economics of hybrid *vs.* local maize;

2. examine the difference in output of these two varieties of crop and [to] vertically analyse the possible reaso[ns] responsible for it; and

3. work out the input-output ratios [of] hybrid *vs.* local maize in the select[ed] villages to find out the profitability [of] each crop.

The district of Ludhiana was select[ed] because of its largest area under mai[ze] cultivation as well as highest productio[n]. On the same ground, the tehsil [of] Ludhiana was selected from among t[he] tehsils of the district. Out of five bloc[ks] in Ludhiana tehsil, one block i.e. Doral[a] was randomly selected. From Doral[a] block, two villages, one big and one sma[ll] in terms of total cropped area (3229.[00] acres and 764.00 acres) were random[ly] selected for a comparative study. Th[us] the villages selected were Rampur a[nd] Lalkalan. Twentyfive cultivators fro[m] Rampur village and another twentyfi[ve] cultivators from Lalkalan village we[re] selected on a random basis. In Rampu[r] village 10 out of 25 selected cultivato[rs] were growing hybrid maize and the r[est]

ning 15 were growing local maize. procedure was repeated in Lalkalan the total sample consisted of 50 cultiors — 20 hybrid maize growers and 30 l maize growers. All the 50 cultiors were interviewed during the month October, 1974, by a structured schedule cifically designed for the purpose. The ormation was collected pertaining to agricultural year of 1973-74.

'he comparative cost of cultivation of rid and local maize in the selected two ages is presented in Table I.

The cost of cultivation comprises the lowing major items: seeds, manures, tilizers, land revenue, charges for trac-, bullock and human labour and cost irrigation and shelling. Table I reveals t the total cost of cultivation per acre hybrid maize is Rs 647.00 and that of al maize is Rs 461.00 in Rampur lage, whereas, it is Rs. 624.00 and Rs 8.00 for hybrid and local maize resctively in Lalkalan village.

Thus the amount of money spent in the ltivation of the hybrid maize is remarkly higher than that of the local maize in th the villages. The major items of cost both the villages irrespective of hybrid and local maize are (a) human labour, (b) fertilizers, and (c) bullock labour. These three items constitute more than 60 per cent of the total cost.

It is interesting to note that in the case of local maize the cost on items like shelling, human labour, bullock labour, tractor labour and manures were higher than hybrid maize, whereas in the case of the hybrid maize the cost of fertilizers and irrigation was higher than local maize.

An examination of the yield figures indicates that the yield of hybrid maize is significantly higher than that of local maize. Another interesting point that emerged from the study is that the market rate of local maize is higher than that of hybrid maize. This may be because of two important factors, viz.

(1) hybrid maize is not locally consumed due to high starch content; and (2) since hybrid maize is a longer duration crop than local maize, the yield of wheat, which is grown after maize in the same land, is affected by its late maturity.

Having examined the cost of cultivation in detail, let us work out the input-output ratios for hybrid and local maize in both the villages. The input-output ratio are presented in Table II.

TABLE I

Comparative Cost of Production of Hybrid and Local Maize

Item	Rampur Village		Lalkalan Village	
	Hybrid	Local	Hybrid	Local
Seeds	15.00 (2.32)	10.00 (2.17)	14.00 (2.24)	10.50 (2.34)
Manures	52.00 (8.04)	47.00 (10.20)	50.00 (8.10)	42.00 (9.38)
Fertilizers	170.00 (26.27)	86.00 (18.63)	176.00 (28.21)	93.00 (20.76)
Land Revenue	7.50 (1.16)	7.50 (1.63)	7.50 (1.20)	7.50 (1.67)
Tractor power used	47.50 (7.34)	40.00 (8.68)	45.00 (7.21)	37.00 (8.26)
. Bullock labour used	70.00 (10.82)	61.00 (13.23)	66.00 (10.57)	60.00 (13.39)
. Human labour used	201.50 (31.14)	149.00 (32.32)	185.50 (29.74)	138.00 (30.30)
. Irrigation	48.50 (7.50)	28.50 (6.18)	42.00 (7.73)	30.00 (6.70)
. Shelling	35.00 (5.51)	32.00 (6.94)	38.00 (6.09)	30.00 (6.70)
otal cost (Rs)	647.00 (100)	461.00 (100)	624.00 (100)	448.00 (100)
verage yield per acre (Qtls)	11.00	9.00	10.60	8.20
ate per quintal	68.00	70.00	68.00	70.00
otal value (Rs)	748.00	630.00	721.00	574.00

Note: Figures in parentheses are the percentage to the total cost.

TABLE II

Input-Output Ratio of Hybrid vs. Local Maize

Village	Input-output ratio
Rampur	
Hybrid	1:1.16
Local	1:1.36
Lalkalan	
Hybrid	1:1.15
Local	1:1.28

Table II shows that the input-output ratios in the case of hybrid maize are remarkable lower that of local maize in both the villages. The input-output relationship for hybrid maize is 1:1.16 against 1:1.36 for local maize in Rampur village whereas, in Lalkalan it is 1:1.15 and 1:1.28 respectively. Thus the cultivation of local maize is more profitable than hybrid maize. Although the average yield per acre of hybrid maize is significantly higher (11.00 and 10.60 quintals as against 9.00 and 8.00 quintals in both the villages viz Rampur and Lalkalan for hybrid and local maize respectively) than local maize, the additional yield does not compensate the additional expenditure on inputs in the case of the hybrid maize.

A closer scrutiny of Table I shows an increase in production by 2.00 quintals and 2.40 quintals per acre from the cultivation of hybrid maize in Rampur and Lalkalan villages respectively which gives an additional income of Rs 118 and Rs 147 as against an additional cost of Rs 186.00 and Rs 176.00 respectively, thus incurring a loss of Rs 68.00 and Rs 29.00 per acre. Moreover, as we have already pointed out, because of the late maturity the wheat crop loses its yield. That is why most of the cultivators are not growing hybrid maize. The finding is also supported by crop cutting experiment conducted on the Intensive Agricultural District Programme, Ludhiana, in 1973-74, which concluded that the cultivation of local maize was more profitable than hybrid maize.

Ludhiana district was selected for this study as it occupies first rank both from the point of view of having the largest area under maize as well as the highest production in the state of Punjab. There was appreciable change both in the hectorage and production of maize during the period of 1960-61 to 1973-74. In proportion the area under hybrid maize is less than under local maize. In the year

1973-74 the area under hybrid maize was 6,000 hectares in a total area under maize of 1,00,200 hectares.

The following observations may be summarized from Tables I and II.

1. The cost of cultivation per acre is Rs 647.00 and 461.00 for the hybrid and local maize respectively in Rampur village, whereas, it is Rs 624.00 and Rs 448.00 respectively in Lalkalan village.

2. In the case of the local maize, the cost on items like manures, bullock labour, tractor labour, human labour and shelling was more than that of hybrid maize, whereas the cost of fertilizers and irrigation for hybrid maize was more than that of the local maize.

3. The yield per acre of hybrid maize is significantly higher than local maize in both the villages.

4. The market rate of the hybrid maize is lesser than local maize due to following two reasons: (a) hybrid maize is not locally consumed due to high starch content, and (b) since hybrid maize is a long duration crop it remarkably affects the yield of wheat which follows the maize crop.

5. The input-output ratios in the case of the hybrid maize are less than that of the local maize. Thus, it clearly shows that the cultivation of local maize is more profitable than that of hybrid maize.

The following suggestions are made from the findings of this study.

1. There is need for an extensive trial of the hybrid varieties of maize and to select a suitable variety which would not only compensate the additional cost involved but would take less time to m
ture and make its cultivation profitabl

2. Since hybrid maize is not co
sumed locally, efforts should be made
export it to other states through cooper
tives or government marketing depar
ment.

3. The alternative package of practic
should be involved for cultivation of h
brid maize to get the maximum productic
with minimum cost. The innovation
the newly developed package of practic
should be diffused among the farmers
develop their expertise.

References:

(1) Singh, Hardyal, Twelve Years Assessme
of IADP, Ludhiana (Punjab) 1974.

(2) Singh, Hardyal: Report on the Analys
of Crop Cutting Experiments—1973-74, IAD
Ludhiana (Punjab).

Petro-dollars and plan outlook

V. Balasubramanian

WINDOW ON THE WORLD

E VAST and sudden inflow of ernal capital resources into Iran's onomy following the fivefold increase crude oil prices over the last three ars has drawn global attention to the gnificent ambition of the Shah and people of Iran to use their new-found luence as the world's fourth largest d the Middle East's second largest pro- cer of oil to push forward the onomy of that country by long and pid strides so that Iran could become e of the most highly industrialized and osperous countries in the world within e next ten years. This, however, should t blind us to the fact that Iran's bid industrialize itself and otherwise velop its economy pre-dates very much e steep rise in its oil revenues.

In fact, Iran had virtually completed four plans of economic development and had launched its fifth Plan on the 21st of March 1973. In the preceding year a great deal had been done to lay the social and economic foundations for development including structural changes particularly in the agricultural sector for diversifying and modernizing the Iranian economy. Iran's GNP at constant 1959 prices had increased fourfold from $4.5 billion in 1960 to $17.1 billion in 1973. In the same period consumption expenditure had gone up by three times from $3.8 billion to $11.2 billion. This economic growth has been fuelled by an accelerating rate of investment, the total gross investment during the period increasing by 4.6 times from $800 million to $3.8 billion. In terms of current prices Iran's GNP in 1973 reached the $26 billion level while its *per capita* GNP exceeded $800.

It is true, however, that oil revenue had always and all along played a large role in providing Iran with its development resources. The value of total exports at current prices increased from about $600 million in 1960 to $9.3 billion in 1973. While non-oil exports had gone up from $150 million to $one billion in this period, the revenue from oil exports accounted for the bulk of the increase in the aggregate value of Iran's export trade. It was this large inflow of external earnings from Iran's dominant export resource, namely oil, which helped its economy to finance the quick and considerable growth in its exports, largely developmental, which increased from $700 million in 1960 to $5.2 billion in 1973. In other words, a 15.6 per cent increase in exports made it possible for Iran to step up its imports comfortably by seven times over the years from 1960 to 1973.

What the oil boom since 1973 has done, therefore, is to change dramatically and enormously for the better the dimensions of Iran's development resources and consequently the magnitude of its development effort. When the fifth Plan was originally passed early in 1973, the growth in the GNP was projected at 15.3 per cent per year at current market prices on the basis that oil exports would fetch $24.6 billion while there would also be an inflow of foreign capital of the order of $8.3 billion. It was also assumed that non-oil exports of goods and services would earn Iran an additional $6.1 billion. On this basis imports were provided for at $34.1 billion for the plan period. What the oil price bonanza has done is to transform overnight the dynamics of the Plan as well as its statistics.

money to spend

Resources ceased to be a constraint on the imagination or vision of the planners. There was money to spend for everything that could be considered worth spending on. The targets and programmes of the Plan were therefore raised or enlarged in the light of the fact that the rapid growth of oil revenues was providing Iran with an opportunity to realize its long-term social and economic objectives within a shorter time-span. For instance, whereas it was initially provided for the fifth Plan aiming at an increase of the Gross National Product at current prices at an average annual rate of growth of 15.3 per cent, the revised projection envisaged an increase in the GNP in real terms by 26 per cent per year. According to this estimate Iran's GNP should go up from $17.4 billion to $55 billion in the period from 1972-73 to 1977-78 in terms of 1972 prices.

The *per capita* GNP which was earlier assumed to go up from $535 in 1972-73 to $947 in 1977-78 at constant prices has since been projected to rise to $1,521 by the end of the fifth Plan period. Again as against the target of $35.7 billion of fixed capital formation during the fifth Plan period, the sights have been raised to $70 billion, out of which $46 billion will be invested in the public sector and $24 billion in the private sector. The revised estimates look forward to an annual rate of growth of about seven per cent in agriculture, 51.5 per cent in oil, 18 per cent in other industries and mining and 16.4 per cent in services.

The influx of petro-dollars, however,

In 1974 our export earnings reached the highest ever figure of Rs. 5.5 crores—a 77% rise over the previous year's figure.

To the country's foreign exchange account,
we have made a significant contribution.
We exported to 30 countries,
including U.S.A., Canada, U.K. and Germany.

Bata

not been without its problems. ...e the sky has become the limit so ...s investible financial resources are ...erned, other problems including ...in resource limitations have arisen, ...ting more circumspection on the ...of the planners and making more ...ting demands on the skills needed ...the sophisticated management of ...economy. For instance, the vastly ...ased liquidity of the economy coup... ...vith a boost in the rate of invest... ...t has given rise to a troublesome ...blem of inflation. The Iranian govern... ...t seems disposed to attribute a good ...of this trouble to the "imported" ...nent in it, the contention here being ...Iran has had to pay through the nose ...manufactured goods, including plant ...machinery, and essential raw ...erial, commodity or other consumer ...orts for which it is very considerably ...endent on the outside world. A rather ...e important problem has been posed ...shortages of certain key resources ...ch have suddenly become acute as ...l as apparent. The most important ...ong these limiting factors currently are ...led manpower and infrastructure facili... ...not only with regard to the ports ...also in the matter of inland transport.

...ckening demand

From the beginning of this year, ...vever, Iran's planners have become ...newhat less complacent about the ...ised estimates of financial resources ...the fifth Plan. The reason is the ...ckening world demand for crude fol... ...ving conciliation attempts in many ...jor importing countries. This has ...to some cutbacks in production in ...exporting countries. The Iranian ...thorities themselves are disposed to ...press more concern at what the Shah ...s described as the continuous erosion ...the purchasing power of OPEC petro... ...llars due to the decline in the value ...the US dollar as well as the conti... ...ing inflation in the industrialized ...untries which is sending up the cost ...Iran's imports from them. According ...the Shah, the fall in the external ...rchasing power of Iran's oil revenues ...s been of the order of from 30 per ...nt to 35 per cent and lately there has ...en considerable talk in Tehran of the ...ed to review Plan priorities and allo... ...tions.

The immediate casualty has been ...ran's development aid programme ...its relation to some of the third world ...ountries. Although early in February ...ran had pledged $ 1.6 billion in new ...id to poor countries hit by the high ...nport prices—this being in addition to ...he pledge of a similar sum earlier—the indications would now seem to be that Iran would be extremely cautious in earmarking any actual amount of aid in the months ahead.

Iran's petroleum earnings were close to $ 20 billion in 1974. This was more than four times as much as it had earned on this account in 1973. The problem is that, if the softening of the world demand for OPEC oil is not arrested, the revised estimates of Iran's oil revenues for the fifth Plan may prove too optimistic. Since Tehran is naturally keen on ensuring that there is no decline in the receipts of oil revenues which finance the lion's share of its developmental expenditure, it has been vigorously campaigning for an increase in oil prices and the indexation of these prices by linking them with the prices of about 20 or 30 basic commodities imported from industrialized countries so that the purchasing power of the oil-producing states could be preserved.

Meanwhile the Iranian government has served notice that it would be taking a second look at its development aid intentions with a view to adjusting its commitments in this area to what it regards as the changed outlook for Iran's oil revenues. Although the government of Iran has still to spell out its specific intentions in this regard, its Foreign minister, Mr Abbas Ali Khalatbary, told at a recent meeting of the Foreign ministers of CENTO in Ankara that Iran's aid programme would "no doubt have to diminish if our purchasing power diminishes and erosion of oil revenues, due to inflation in the prices of products of the industrialized countries and the depreciation of the dollar, continues."

changed notions

So far as the Plan itself is concerned, there is as yet no clear indication of the extent to which the upward revision of its targets effected last year will be revised partially downward this year following changed notions of the scale of the flow of oil revenues during the Plan period. The immediate reaction in the government has been to explore the scope for economy in Plan allocations as well as the avoidance of wasteful spending in the administration. The Shah in fact has personally exhorted the government to pay attention to these aspects. Again, in view of the massive public investment in industry, the government is inclined to attach increasing importance to stepping up returns on this investment with a view to offsetting part of any decline in the estimated oil revenues.

Some noises are also being made about the governments's awareness of the need for reorganizing the tax system to ensure the wider coverage of assessable incomes as well as to improve the effectiveness of tax collection. The laxity in the tax administration, however, is a notorious fact and equally notorious is the proven capacity of Iranians with incomes of any significance to avoid, evade or buy off the tax collector's unwelcome attentions. Moreover, there is no mention, significantly enough, of any prospective increases in tax rates which, to put it very mildly, are quite modest. Presumably, given Iran's flooding oil revenues, it was not thought necessary to review the situation when, last year, the Plan's targets could so effortlessly be hiked up in line with the prospects of high oil revenues. Now that there is a possibility that these prospects may shade off, however slightly, it is logical for the state to worry a little more about other sources of revenue than oil, but it is doubtful indeed that the income-tax will be exploited very much in this context.

projected receipts

Total government receipts during the fifth Plan have been projected at about $123 billion of which about 80 per cent is expected to come from oil and gas. Oil revenues themselves are expected to exceed $100 billion, about twelve times as much as the revenues accruing in the period of the fourth Plan. Non-oil exports are expected to increase at an annual rate of 25 per cent, thereby reaching a total of $5 billion for the Plan period. Other export earnings, including a return of about $2 billion on Iran's foreign investments and loans, are expected to bring in about $7 billion. As against this, payments for imports of goods are estimated to increase at an average annual rate of 60 per cent, amounting to $ 79 billion for the Plan period or about seven times the value of imports during the fourth Plan. In addition, payments for services are expected to absorb about $14 billion or seven times as much as during the fourth Plan period. In the light of these figures it seems unlikely that Iran will have a serious resource problem even if its projections of oil revenues do happen to decline somewhat. In any case, the caution with which it has lately been approaching its commitments to development aid should help to stave off whatever little strain the failure of its more optimistic assumptions of oil revenues may cause to its Plan resources.

Meanwhile the Plan and Budget Organization (PBO) is reportedly labour-

ing to establish a clearer order of project priorities on the basis of an evaluation of budget objectives and performance and also on the assumption that the projected oil revenues would not be prejudiced if an adjustment is made in oil prices to compensate for inflation. The PBO director, Mr Abdol-Majid Majidi, is inclined to draw encouragement from the fact that the level of utilization of allocation last year had been twice as high as it was in the year before. As an indication of the high level of economic activity reached in the country, he has pointed to the movement of 10 million tonnes of goods through the ports the stated capacity of which is only about half that tonnage. The GNP at current prices went up last year by 41 per cent when the oil sector was included in the calculations but, even without it, it had risen by 14 per cent.

Discussing priorities Mr Majidi has explained that no budget limitation had been set on investment in the "mother" industries, namely, oil, gas, petro-chemicals and steel and other metals. In his view it would not be necessary to curtail development in these areas. Similarly, there is no question of allocations being cut down where the needs of the agricultural sector are concerned. On the contrary, the importance of increasing the production of food as well as farm products, which serve as raw materials for industry, has gone up partly because of the growth in domestic demand and partly because the high price of food abroad has made imported supplies expensive and inflationary.

plan investment

The Plan envisages an investment of nearly $ 8 billion in the public sector of the oil industry and another $ 1.3 billion in the private sector. The aim is to increase refinery capacity from 14 million cubic metres of crude oil in 1973 to 38 million cubic metres by the end of the Plan. The total investment in the gas industry is expected to exceed $ 2.5 billion out of which $ 1.8 billion will be in the public sector.

Chemical and petro-chemical industries will comprise another area of major investment. This sector is expected to achieve an average annual rate of growth of 25 per cent during the Plan period. This growth will embrace the annual production of about 250,000 tonnes of raw materials for the synthetic fibre industry, the expansion of chemical fertilizer production from 350,000 tonnes annually to 1.7 million tonnes, the yearly production of about 591,000 tonnes of raw materials for use in the plastics and rubber industries and the annual output of 1.9 million tonnes of aromatics and alcohols, two million tonnes of petrochemical raw materials, 270,000 tonnes of mineralogical chemicals and 100,000 tonnes of animal feed from monocellular proteins. There is little risk of investment or development in these areas being seriously affected by constraints, if any, on financial resources arising from trends in oil revenues. Nor is it likely that Iranian planning will be seriously incommoded by financial limitations in its pursuit of expansion in such industries as steel, cement, construction materials and equipment, transport and communications equipment, textiles, sugar, oils and fats or the diversification of its agriculture partly through the establishment of large-scale farming of crops such as sugarcane and soyabean and partly through the development of livestock farming and horticulture.

better husbanding

All the same, should the OPEC countries including Iran fail to raise petroleum prices or maintain crude production and exports in the future so as to avert any substantial decline in their oil revenues, they will necessarily have to count their petro-dollars more carefully hereafter than they have been doing so far. This would be partly because some of them such as Kuwait have been generously earmarking their oil money for overseas investment or aid, while others —notably Iran — have been ploughing their oil money heavily into large-scale economic and social development while also investing extensively abroad or committing substantial funds to economic assistance for developing countries. As it is, so far as Iran is concerned, its immediate problems relating to the maintaining of the tempo of its revised fifth Plan, however, will lie, as I have suggested earlier, more in the area of non-financial bottlenecks than in the domain of investment capital.

This has been brought out clearly by the nature of the strains on the economy and the administration following the doubling of Plan allocations last year. In the first place, Iran's port facilities have been overstretched by the demands that are being made on them to handle the explosive increase in overseas trade, particularly on import account. It has now become the common experience of the Iranian economy to have even up to three months' requirements of capital equipment, raw materials, food and essential consumer goods blocked in the holds of ships awaiting to unload at its congested and overworked ports. Although high priority is being given to breaking of this bottleneck, it is just possible for Iran to master this problen any relevant short period. The situati however, could be eased to some ext if the planners were to regulate impo more strictly in the future. In fact, has been argued that at least some p of Iran's port problem is to be attribu to its import "spree" in 1974. In t period Iran was feverishly stocking imports, particularly of food and ess tial consumer goods such as meat, sug oils and fats.

This stockpiling policy was actuat no doubt by a creditable concern for e suring adequate supplies of essential co sumer goods for the people in a peri of rapidly growing demand and risi prices. The price level has been goi up at an annual rate of about 14 p cent and this has prompted the gover ment to take various measures to saf guard the living standards of the poor sections of the people. This has be done by more than doubling the min mum wage of urban workers on the o hand and heavily subsidizing food grain meat, sugar and cooking fat on the othe Simultaneously, the scheme of providin adequate quantities of consumer good at reasonable prices has been unde written by liberal imports for the purpos and stockpiling of these supplies. It possible that, in the future, the planner find themselves compelled to prune ex penditures at the margin. In that cas there could be some relief for Iran's por facilities through the slackening of th rate of import goods less strictly relate to the priority sectors of the Plan.

transport bottleneck

The inadequacy of port facilities i itself is not wholly responsible for th congestion at the ports. The fact tha transport cannot be quickly provided fo goods after they are unloaded at th ports must also be taken into account Iran's internal transport facilities ar provided mainly by its roads the development of which is lagging very much be hind the needs of that country's industria lization and urbanization. Added to thi limitation is a shortage of truck driver with enough skills to manoeuvre larg goods transport vehicles on Iran's poor roadways across hilly terrain. Indeed this particular bottleneck is so serious that Iran has been importing truck drivers from South Korea, the Philippines and Pakistan. Here again urgent attention is being given to the expansion or improvement of the road network, while special training schools have been set up to train truck drivers. A higher degree of discipline in the matter of imports

, besides affording relief to Plan geting or port facilities, reduce the physical strain on internal transport.

here is also the basic challenge posed ambitious planning by Iran's manwer shortage which is both qualive and quantitative. The total pulation of the country, which was out 31 million in 1972-73 and is rly 34 million at present, is expected reach 36 million in 1977-78. This gives annual growth rate of population about 2.9 per cent for the period the fifth Plan. Consistent with its ial policies of modernizing Iranian iety, particularly in terms of the emanation of women, the Shahanshah has creed a nationwide family planning ogramme as part of the development ategy. This is expected to take down average natural rate of growth of polation from 3.1 per cent at the beginng of the fifth Plan to 2.6 per cent at its d. There could be some argument ether an active family planning policy to be advocated in the context of the racious appetite for manpower arisg from Iran's rapid economic growth. balance, however, family planning itself is not likely to accentuate the anpower problem. On the contrary, to e extent that it contributes to more omen being available for employment, might help to relieve the manpower ortage. Indeed, but for the fact that the ah's social reforms have made it posble for women to break out of their aditional ways of life and seek employent in factories, offices or the professons, Iran's short-term manpower problems would considerably have been more cute.

grarian reforms

The Shah's agrarian reforms seem to ave rather more complex implications terms of the country's manpower roblem. These reforms, taken with the ttention being given to the improvenent of agricultural production and roductivity, the diversification of the ural economy through encouragement of ivestock farming, horticulture and traditional handicrafts including carpet veaving, and the high priority which is being given to the promotion of literacy and public health in the villages, are broadly calculated to encourage the people in the countryside to remain where they are than to migrate to the emerging urban centres or industrial areas in search of new skills or new avenues of livelihood. It has in fact been difficult to attract sufficient numbers of unskilled manpower from the country side to construction work in the cities or industrial areas although they are offered relatively high wages while facilities have been organized for imparting to them the desired skills such as bricklaying or carpentry. This particular aspect of manpower shortage is indeed so serious that, although the government seems to be in earnest about relieving the grave shortage of urban housing by encouraging new construction, it has become almost impossible to find manual or semi-skilled workers for the purpose in the numbers required. As a result it is being argued that Iran should rapidly modernise its construction techniques and go in for extensive mechanisation of techniques and processes.

widespread automation

In industry the manpower problem is sought to be solved by resort to the use of automatic or semi-automatic plant and equipment to the greatest extent possible. Here the Shahanshah's directive that Iranian industry should go in for the latest or most sophisticated technology has been highly relevant. Fortunately, the country's external resources are also sufficiently ample for it to shop around the world for labour-saving, though capital intensive, machines or processes. At the same time the government has laid down and is implementing a systematic policy of inducing or pressurising industries and factories to organize in-plant training courses for meeting its needs of semi-skilled or skilled technical personnel. Here the leaders of the public sector, such as the National Iranian Oil Company, have been powerful trend-setters.

The availability of workers for the light engineering, electronics and similar industries, which are proliferating the Iranian industrial landscape and for office jobs has substantially increased due to the willingness of women to take up jobs. However, given the extent of foreign collaboration or association with economic activities in Iran, it has become necessary for office workers and professionals in many areas of work or in the service industries to know one or more foreign languages. This has meant that women qualified for secretarial work and knowing English, German, French or Italian in addition to their mother tongue of Farsi are in great demand especially in the establishments of foreigners doing business in Iran.

The scheme of national service which requires its young men and women to put in a 12-month or 18-month term in the countryside as teachers, health workers or extension personnel has greatly contributed to the solution of the manpower problem in an area considered by the government to be vital to the country's economic, social and general progress particularly in terms of the well-being of the poorer or more backward sections of the community. Nevertheless, some nagging problems remain. There is, for instance, pronounced insufficiency of medical doctors or para-medical personnel for work in the countryside. The government is trying to deal with this difficulty by arranging for the large-scale recruitment in foreign countries of people with these qualifications strictly on the condition that they would serve in the villages for a certain contractual period. The sources favoured for this purpose are South Korea, the Philippines and our own country.

Nobody can deny that the Shah takes genuine pride in the potential and quality of his people as he does in the history and culture of his country. At the same time he is not given to illusions or false notions about the existing limitations in terms of standards or facilities available for technical or business education in his country. As a realist he has assessed the problem candidly and is taking steps, undeterred by irrelevant notions of prestige, to seek the assistance of advanced countries for upgrading these standards and facilities. This is why he has made multimillion dollar contracts with institutions such as the M.I.T. and the Harvard and the Stanford universities in the United States for the provision of education facilities for large numbers of Iranian students.

return of the native

Meanwhile steps are being taken to persuade Iranians with high academic or professional qualifications, particularly in medicine, who have settled in or have been working for a long time in countries such as the United States or West Germany, to return to Iran for the service of their own country and its people. These Iranians, however, seem to have certain problems. In the first place, they have become accustomed to a certain level of earnings, a standard of living or a way of life in the affluent western societies in which they are living, so that many of them seem reluctant to exchange this for what they seem to consider an inferior bargain. Secondly, though the Iranian government itself may be extremely reluctant to concede this, quite a number of Iranians living abroad do seem to entertain reservations about the nature of the political system in their home country. The Iranian government, therefore, is meeting with less success than it might wish for in its endeavour to deal with this problem of the "brain drain" as it affects Iran's economic

and social problems. Recently, however, it was able to persuade quite a few highly qualified Iranian doctors working in West Germany to return to their country, a critical factor in this transaction being the West German government's cooperation in agreeing to allow these departing Iranians to cash in on the social security benefits they have earned while working in West Germany.

In retrospect it would appear that when the Plan and Budget Organisation of the Iranian government decided last year to double the size and targets of the fifth Plan simply because there was a flush of oil revenues following the hiking up of petroleum prices, they had tended to underestimate the probable fiscal constraints on the projected higher levels of performance. I have just discussed some of these limitations. I should add to this analysis the limitation also of entrepreneurial and managerial personnel in Iran. Iran's business community is not only small and in a sense elitist; it is also a group which is, by and large, more interested in making a quick rial in easy commerce or even influence-pedling than through the hard work of organizing and running industries. There are of course quite a few honourable exceptions and Iran's striking industrialization does owe a great deal to some well-known individual or family names but, by and large, although the returns on industrial enterprise or investment in Iran are mouth-wateringly high, and in some cases even grossly enormous, the Iranian business community has yet to be fully tempted to expand or extend itself.

Moreover, the public sector and the government mean so much to the Iranian economy and amount to such a great deal in terms of political authority or social prestige that they easily preempt the superior human resources in the community. This in a way has produced a c tain imbalance both in terms of chara ter and efficiency between an oa of education and competence and surrounding territory of much more m dest pretensions. Finally, the rise the flood of oil revenue since late 19 has not merely fired the imagination the planners but also tickled the itchi palm of greedy men, in places high a low, whose activities have tended to re der corruption one of the less attracti features of administration or business Iran. Against this background it wou not be unreasonable to suggest that, eve if Iran has all the oil revenues it has ant cipated for its fifth Plan as it was upgra ed last year, it would still only have re lized the greater part, but not the who of the development envisaged. In oth words, money alone has never been n ever will be a complete answer to a n tion's prayer.

(To be continue

Is indexation an antidote to inflation ?

London

Jossleyn Hennessy

I
Experience in Many Countries

THE QUICKENING tempo of inflation and deterioration of established wage-bargaining procedures threaten the orderly economic progress of most nations.

Faced with rapidly rising prices, trade unions have been by-passing traditional bargaining procedures in favour of more direct tactics to maintain the real incomes of their members. After one strong union has been successful in a wage claim based on expectations that further price increases are inevitable, other unions get the idea and do the same, and, of course, to the extent that employers yield to union demands, and then raise prices to meet increased costs, predictions that the cost of living will rise are naturally fulfilled. Employers, too, can pre-empt wage demands by raising prices. As each group strives to preserve its relative incomes position, nobody remembers that, in the absence of equivalent increases in productivity, such wage and price increases are self-defeating.

All this quickens the momentum of inflation which results in undesirable changes in the distribution on income. The holders of real assets and those who are strongly organised, gain at the expense of the poorly organised and those with fixed-incomes, while changes in the real value of capital assets stifle investment and make it difficult to protect the value of past or future savings.

In order to resolve the inflationary dilemma and its inherent social discord, widespread international consideration has been given to seeking a formal relation between wage rises and price increases. The linking of earnings to an index reflecting the changing cost of living is known as "wage indexation".

Proponents of indexation contend that wage earners will moderate their pay claims once assured of upward automatic wage adjustments to price increases, and that without frequent cost of living adjustments the correction of wages for rising prices occurs only after a lapse of a year or more; in times of moderate price rises, erosion in the real value of incomes between reviews is minimal, but as inflation intensifies, more frequent revisions of awards are demanded to try to protect the real value of the wage-earners' purchasing power. The persistence of rapidly rising prices induces wage claims made in the expectation of further price rises, and prices are likewise raised in the expectation of high wage claims. To restrain wage demands by means of indexation, coupled with some form of pric restraint, would, it is argued, dampen growing rate of inflation.

Indexation is by no means a new ide As early as 1921 Australia adopted system for adjusting the basic wage eac quarter according to movements in th preceding quarter's retail price index This was abandoned in 1953 when th arbitration court accepted employers arguments that the adjustment was serv ing to accelerate and perpetuate the in flation of wages and prices.

During Australia's previous experienc with wage indexation, many complaint arose about the formulation of a satisfactory consumer price index which accurately reflected changes in the cost of living. Australia's current consumer price index's "basket of goods", intended to represent expenditure in the typical wage-earner's household, is continuously reviewed, but a time lag can occur before well-established items on many shopping lists are included. Extensive research is needed to build up a satisfactory index, on the other, spending patterns can change quickly when prices are rising rapidly. There is a danger, too, that certain typical price changes in the index may prompt unjustified wage increases; for instance, unfavourable weather or a seasonal shortage of some goods could temporarily dis-

rt the index. Should wage earners feel at the index to which their pay increases e tied does not adequately cover rises in eir cost of living, and if unions press for hat they consider more realistic increases, en the acceptability of automatic adstment is reduced.

Certainly a system of regular wage adstment for price rises could not prevent age earners from endeavouring to negoate pay increases on a basis other than e cost of living. Furthermore, if the index lls, a system of wage indexation would equire wages to fall proportionately — hich could be argued to be a dangerous conomic decelerator just as automatic inreases serve to accelerate inflation. Wage eductions are in any case politically imossible, even in the eastern bloc.

ost-price spiral

Apart from the content of the index, it an be difficult to time the introduction of ndexation. To initiate, say, a system of uarterly wage adjustment based on the onsumer price index while that index is ising in excess of five per cent a quarter as in Australia at present) would ensure he continuation of rapid price rises and revent any moderation in the rate of inlation. Some argue, however, that since vages are only one factor in the cost of roduction, prices should not have to rise by the same proportion as wages and, if he costs of other factors do not rise as ast, the cost-price spiral may eventually un down. Against this claim is that the ncrease in the frequency of adjustments to all wages under indexation could be sufficient to accelerate the rate of inflation. Furthermore, the assumption that indexation *might* moderate union wage demands has not been proved, and it might well be that union energies would be freed for more aggressive bargaining on other benefits.

The application of indexation to different groups of wage earners is controversial, because lower income earners argue that they are most in need of cost-of-living adjustments to maintain real living standards in the face of rising prices. Cost of living adjustments based on the minimum wage would ensure that all but the lowest paid were under-compensated for price increases and thus the margins of established wage relativities would be eroded. Even if the index were applied to generate a flat rate of adjustment related to some higher wage, relatives would still be compressed and could promote formidable unrest among the higher paid. A system of indexation based on equal perecentage changes over the whole wage range is the only one which would retain existing relativities in gross incomes, although it would widen the disparity in disposable incomes because those on higher incomes, even after tax, would gain the most. Furthermore, any system of indexation confined to wages would be likely to be disadvantageous to other income earners. While it may be possible to index a pension funded from government revenue, it would be impractical to link to an index many forms of investment income, such as dividends from equity shares, rent, or pensions from privately established funds.

Because of the dubious and often unforeseen effects of wage indexation on income distribution in times of rapidly rising prices, and on prices themselves some countries have abandoned the policy of index-linked wages. Other countries, have experimented with different methods to minimise the erosion of real wages. For instance, West Germany, which has one of the lowest inflation rates in the world, outlawed indexing agreements under its 1948 currency law. Although the Bundesbank has had power since 1961 to waive the regulations in particular instances, it has never done so. Instead a custom has arisen over the past ten years of writing "re-opener" clauses into wage contracts, whereby employer and union can negotiate for cost-of-living adjustments during the currency of an award. This practice has spread in offer European countries and allows frequent revision of incomes without the rigidity of the automatic adjustment of wage indexation.

II

Across-the-Board Indexation

Despite the shortcomings of wage indexation, it has gained some popularity as part of a package of policies aimed at restraining the cost-price spiral. Extending the scope of indexing linking beyond wages to incorporate taxes, rents, government bonds, bank balances, medium and long-term loans, as in Brazil, is not common, although it has recently received substantial theoretical justification. Advocates for across-the-board indexation maintain that under such a system no sector, labour, industry, or government,would gain any short-term benefits from inflation: escalator clauses would dispel the "money illusion" which, in inflationary times, enables the irreconcilable demands of different sectors to *appear* to be met. When, however, the corrosion of unforeseen inflation on income is thus exposed, certain misgivings as to the stabilising qualities of indexation suggest themselves. If, for instance, demands for higher wages following indexation are sufficiently widespread, the result would be runaway inflation unless the government countered with drastic monetary and/or tax policies.

Governments have been less enthusiastic for indexation than some eoconomists, chiefly because the latter while publicising the theory have failed to offer an acceptable method of applying it. A big drawback has been the failure to design a cost-of-living index satisfactory to all parties.

Few nations, therefore, have experimented with a comprehensive system of indexation. Finland was the first country to introduce monetary correction on a wide scale, followed by Israel, France, Belgium and Brazil. Finland and France, however, have since abandoned comprehensive index-tinking on the ground that it promotes inflation, while in Belgium and Israel, indexation has not prevented rapid price increases.

Brazil's experience

Brazil's experience with index-linking during the last decade, however, has been more satisfactory for supporters of monetary correction to cite. Since adopting extensive system indexation, Brazil has successfully generated vigorous economic growth and gradually reduced the rate of inflation—price escalation fell from over 100 per cent per annum in 1963 to 14 per cent in 1973 (the quadrupling of oil prices in 1974 caused Brazil's inflation to rise over 30 per cent per annum).

To attribute Brazil's economic expansion would, however, be over-simplification; more important has been a balanced budget, tax reforms and official controls on open market operations to direct the distribution of resources more closely.

The role of indexation has been to operate in tandem with regular minor devaluations of the cruzeiro to neutralise some of the distortions caused by inflation rather than to reduce price rises. This policy of "making peace" with inflation has not been without its costs in the form of inflationary feedback; prices and wages rise today because they went up yesterday, and financial institutions, accustomed to working with high administrative and operational costs during the years of rapid inflation, now find it difficult to lower interest rates.

Doubtless, chronic inflation in Brazil had created the general expectancy that prices would continue to rise and thus influenced the government's decision to fight inflation gradually rather than by Draconian measures. Note, however, that despite comprehensive indexation,

Brazil has been unable to offset the heavy pressures on domestic prices from the markedly increased costs of oil and other imports — the cruzeiro was devalued by 16 per cent against the US dollar in a succession of small currency adjustments in the course of 1974. Brazil's readiness to accept a persistently declining exchange rate as the necessary consequence of its policies to deal with inflation is a step from which many nations might recoil. The degree of success attained by indexation has largely depended on special circumstances which may not exist elsewhere.

III

Selective Indexation

Except in a situation of hyper-inflation which calls for drastic controls, comprehensive indexation is unlikely to be a practical measure to offset rising prices. The administrative difficulties and the excessive extent of bureaucratic intervention that it entails, such as official restrictions on wage negotiations and price setting, combined with the general regimentation of the people, should count heavily against it.

On the other hand under wage indexation, other pressures on prices and successful wage demands in excess of official cost-of-living adjustments could still cause accelerating inflation. Consequently, indexing wages and some other sources of income to mitigate the worst effects of inflation has been adopted by several countries and is being considered by others as a compromise package of policies to restrain prices.

To fight inflation, the restructuring of progressive income tax schedules has been tried as a supplementary measure to wage indexation, formulated to ensure that *only real* income increases are taxed at higher rates. To overcome some of the administrative complications of constantly changing tax schedules, Canada index-linked the claims which can be deducted from taxable income rather than indexing the tax scales themselves.

To prevent further erosion of that portion of national income accruing to companies, the tax system needs to allow capital assets to be depreciated at *replacement* rather than original costs and inventory valuations to be corrected for inflation (e.g. current prices discounted by increases in the wholesale price index or at constant prices). If these assets were valued realistically, companies would not be forced ridiculously to pay tax on fictitious profits due solely to inflation.

Inflation also redistributes real wealth from savers to borrowers. To overcome the loss in purchasing power of both the capital sum and interest on loans, a possible solution is to tie them to a cost-of-living index. Some countries offer index linked bonds to protect the savings of those least able to protect themselves in other ways. The UK government has announced a scheme in which the return would be linked to the retail price index. By limiting the amounts which can be purchased small investors are favoured. The venture of private corporations into the indexation of loans has, however, been hindered, primarily by uncertainty of the costs involved.

A warning on the introduction of indexed interest rates has been sounded among others, by the Federal Reserve Bank of New York, which points out that because of the substantial proportion of real wealth and income outstanding at any one time in long-term contracts fixed in nominal terms, disturbing and inequitable transfers of real wealth and income would still occur despite the protection offered to the parties to new index contracts.

Since existing monetary contracts incorporate the contracting parties' expectations of price movements at the time of their making, a change in the relative wealth of these borrowers and lenders would follow a change in prices. A fall in the rate of inflation after the introduction of index-linked bonds would result in a transfer of wealth from net borrowers to net lenders; the converse, when prices rise. But the basic objection of borrowers to an open-ended commitment to increase their monetary liability with the growth of inflation is likely to rule out indexation of borrowing in all but exceptional cases.

IV

Simplistic Approach

Wage indexation alone is inadequate to reduce the social and industrial unrest caused by inflation. It is a simplistic approach to a complicated problem, which raises technical difficulties. The steeply progressive tax schedules of Australia, and many other countries, would exacerbate rather than mitigate industrial disputes because of the erosion of established net income margins. It is clear that the rigidities in automatic wage adjustments under indexation would not remove the need for additional ways of determi ing wages.

Indexation to cover all forms of earne investment, and transfer income, contra tual debts, and taxation schedules cou probably not be achieved without gre social costs. The effects of such poli changes are unpredictable and their in plementation could arouse strong resi tance.

From the recent experience of inde linking countries, it is difficult to gaug except in a few well-defined cases, wheth the current rate of inflation has been high than previously because of indexation po licies or whether indexation has restricte inflationary expansion to a rate lowe than would have prevailed withou it.

complex causes

Although rises are obvious enough, th root causes of inflation are complex an not responsive to simple remedies. Cer tainly inflation caused by structural im balance within the economy cannot b resolved by indexation of earnings, and th government has an important role to pla through its interest and exchange rat policies in reducing the rate of inflation b encouraging investment and boosting pub lic confidence in the future of the economy *not least by cutting its own public expendi ture and ceasing to regard "profits" as a dirty word.*

Again and again in certain countries companies are attacked for making "excessive" profits, but from the national viewpoint vast numbers of enterprises making good profits mean rising wealth and prosperity for the whole community. Any one company making "excessive" profits will soon find them reduced provided that the market is freely open to competitors. Indexation, at best, would, it seems, perpetuate inflation. Perhaps the worst danger of linking wages, bonds, and other income or savings to an index is that rising prices could become accepted as "inevitable" and weaken determination to enforce the monetary and fiscal policies that are the only real weapons against inflation.

Sources and acknowledgements: The foregoing summarises a special report in the latest issue of the Review of the Bank of New South Wales (P.O. Box 1, Sydney, N.S.W. 2001, Australia) but the Bank is not responsible for the emphasis of my summary, and some of my interspersed comments are likely to cause its last few remaining grey hairs to stand on end.

MOVING FINGER

Ir K. Santhanam, who

cently relinquished the editorship of *arajya*, but is still writing for it more or s regularly as a continuing labour love, will be 81 in July. e is one of those rare indivi-als on whose intellectual vigour power of judgment age seems to ve only a fertilizing effect. In the past w days so many people have been giving the world the benefit of their wisdom on e merits or demerits of the judgment of e Allahabad high court on Mr Raj arain's election petition against Mrs ndira Gandhi. It does not seem to have ccurred to any of them — among whom re assorted editors from the daily or the eriodical press — that it is quite unethical o enter into a discussion of the findings of judicial verdict when it is known or is ommon knowledge that an appeal is to be led shortly before a higher court. Al-hough, strictly technically, the matter may not be *sub judice*, it is plain that this oophole is only being unfairly taken dvantage of when Mr Justice Sinha is either praised for or criticised on his find-ngs, pending the filing of an appeal or appeals in the Supreme Court by one or both of the parties concerned. I am there-fore happy indeed to find Mr Santhanam raising his voice against the free-for-all which this business of commenting on the judgment has become.

In a statement to the press, Mr Santhanam says: "*Legally*, unless the Supreme Court extends the stay, the Allahabad high court judgment will come into operation after the stay period. If, however, the Supreme Court extends the stay, people should wait patiently for its final verdict. Any discussion in public of the Allahabad high court judgment now is, therefore, highly improper". Mr Santhanam's statement is dated June 17. On June 13, *The Hindu* which, for some mysterious or, perhaps, even mystic reason, persists in calling itself "India's National Newspaper", had editorially commented on "Justice Sinha's Verdict". Some one had the impertinence to insinuate a reprint into my morning's bundle of newspapers the other day and I am therefore provoked to say that I wish *The Hindu* had waited for a few days so that it might have profited from Mr Santhanam's *caveat*. Not that in a matter like this Mr Santhanam's appreciation of what is proper would have weighed with it more than, say, Mr G. Parthasarathy's awareness of what is necessary.

Wrote *The Hindu*: "To

the people at large who have watched a succession of general elections and also the many abuses of the official machinery by the ruling parties at the time in different states, like getting officials to canvass votes directly and to hold out official favours to a particular village, town or other group of persons or even threats of official displeasure for that purpose, the technical violation involved in the erection of rostrums and supplying electricity to enable a candidate to do nothing more corrupt than talk openly to the people *is bound to be amusing, to say the least* (italics mine).

Since I certainly would not discuss the merits of the judgment at this stage, I am prevented from pointing out the flaws in this nugget of legal scholarship, but I would certainly suggest that, whether "the people at large" — whatever *that* may mean in the present context — are amused or not, *The Hindu*, indeed, seems to be easily amused. This, however, is not surprising seeing that there are so few natural occasions for gaiety of spirit at the Kasturi Buildings on Mount Road in Madras, where the narrower virtues of the Tamil vaishnavite brahmin culture seem to thrive more than its higher graces. However, it must still be somewhat of a shock to find that India's self-styled "National Newspaper" is evidently running its editorial establishment on the principle that he who pays the piper not only calls the tune, but also says how the pipe should be held or even which side it should be blown on.

In a brilliant piece in

The Statesman of June 19, Mr "N.J.N." has castigated "the old India hands or their equivalent", pontificating in the British press on recent political developments here, for implying that, since nothing very much can be expected from a country like India, the Indians have no business to fuss about political or other proprieties. The passage I have quoted from *The Hindu*, however, should suggest that there are sinners to be found very much nearer home. Incidentally, "N.J.N." has a friendly word of warning for Mr D.K. Borooah, the moon-faced Congress president who has been oozing so much moonshine these days. He has advised this lunar module to be sparing in his reading of or quoting from the foreign press, for there is much that newspapers abroad are saying which cannot exactly be what Mr B.K. Nehru, "our Man" in London, may be tutoring them to say. Mr Borooah would be well-advised to listen, for here are some passages from Mr Walter Schwarz in *The Guardian* of June 13:

> "The essential irony is that Mrs Gandhi should have been caught out on a nicety of Westminster procedure, when she runs a party and an apparatus of Government that is steeped in corruption. The party is largely financed on "black money," illegally contributed from businessmen — and largely because of these contributions, black money is allowed to operate as a vast parallel economy that feeds inflation and contributes directly to starvation in pockets of scarcity. The rural barons of the Congress Party dominate food distribution — growing rich on it at the expense of the hungry. That she has failed to reform the system in spite of her radical talk and pious promise, is real "crime" for which many Indians of all political hues would like to see her out of office."

And, proceeding :

> "But her tragedy was that her radicalism never went deeper than words and aspirations. She means every word she says — but her mind lacks the penetration to see where reform had to be applied to make the real difference. She launched herself with easy demagogic reform like bank nationalisation and abolishing maharajas' pensions, and with catchy slogans like "abolish poverty." But even at the height of her popularity she never found the power to break with tradition — especially the tradition of the Congress Party in which she has been reared since babyhood. The same old corrupt procedures for selecting candidates and the same old reliance on black money, the same intrigues, the same compromises, and the same distrust of anyone with ideas that might upset things".

VB

TRADE WINDS

Govt. to Probe Foreign Electronics Firms

THE DEPARTMENT of electronics will undertake a critical examination of the activities of all foreign electronics industry companies to determine what role they should play in the development of electronics in the country. According to department sources, the study will be made by the department within the broad policy decision of the Electronics Commision that foreign electronics companies may be allowed to continue or expand operations for the benefit of the country as a whole, but they should not be allowed to inhibit the growth of indigenous industry, particularly in the small and medium sectors.

The commission has laid down two criteria for future operation of foreign companies, which are: the companies should supply sophisticated foreign technology not easily available, and they should earn substantial foreign exchange through the exports.

Thet department has classified the foreign companies into four groups for the purpose of examination. They are: (i) companies with 100 per cent foreign equity like IBM, ICL, ASEA and ERICSSON; (ii) companies with majority foreign eqity like Siemens, Philips, English Electric, Gramophone Company and International Computers (India) Manufacturers Limited; (iii) companies with a minority foreign equity like Bush India and Murphy India; and (iv) companies with small foreign equity less than 30 per cent.

The department is taking care to see that foreign majority companies do not distort the structure of capital investment by Indian companies through purchase of shares or by the diversification into areas of trading or commercial activities likely to have an adverse impact on the indigenous industry.

The department is also anxious to ensure that the products of these foreign companies do not create an adverse impact in the domestic market when the period of their export obligation—normally five to 10 years—is over. In regard to the companies with 100 per cent foreign equity, the department has been negotiating with them for bringing down their equity.

Five Year Sugar Deal with EEC

For the first time, India is entering into a five-year sugar export contract with the European Economic Community. The contract envisages the supply of 12.5 lakh tonnes at the rate of 25,000 tonnes a year, beginning 1975. In addition, EEC has agreed to buy an extra 25,000 tonnes this year, bringing the total quantity to 1.50 lakh tonnes. This will bring in exchange earnings worth about Rs 95 crores The supply is for the UK which is now all set to become a member of the Community.

An agreement is to be signed next month between the State Trading Corporation of India and Tate and Lyle Sugar Refinery of the UK. The shipment is scheduled for July-June every year. The recent negotia ed price of about £272 a tonne c.i f. is for supplies between July-December 1975. It is on this basis the proposed exchange earnings have been worked out. The earnings may be more after the price is revised next year.

Pilot Public Distribution System

The public distribution scheme for essential commodities was formally launched on June 23, though on a plot scale. Initially, the scheme will be introduced in Delhi and will later be extended to four more centres —Durgapur in West Bengal, Cochin in Kerala, Coimbatore in Tamil Nadu and Nainital in Uttar Pradesh. All the four centres, for which the Delhi model schemes are now being finalised, are major industrial centres.

To start with, five essential commodities will be brought within the ambit of the public distribution system—rice, wheat, sugar, soft-coke, kerosene, oil and controlled cloth. The first four are already being supplied under the rationing system now in operation in the metropolis. These commodities will be sold against consumer cards, the sale outlets being retail shops, in addition to the fair price shops.

Foreign Aid in 1973-74

Foreign assistance to this country during 1974-75 amounted to $1,760.46 million according to Finance ministry sources. Of the assistance received in the year, project assistance amouted to $722.44 million and non-project assistance was of the order of $ 1,038 million. The International Development Agency stood out as the leading donor for project aid. It provided loans worth $378.10 million. The World Bank was the next biggest sour having agreed to provi loans worth $161 millio Other countries that ga project loans to this count during the year were We Germany ($48.87 million Japan ($36.62 million France ($25.35 million) an the USA ($8.64 million).

Export Possibilities to Western Europe

A market information surve team has advised the Indian ex porters of castings and forging to concentrate mainly on stat railways, diesel engine indus try, and power generatio industry in the west Europea markets. The survey was con ducted by the Trade Deve lopment Authority (TDA) i the markets of West German and Italy from Januar to March this year According to the survey West Germany and Italy have developed adequate domestic capabilities to meet their demands for ferrous castings and forgings for industrial application and this leaves little acope for countries such as India to enter into these markets. Moreover, the recession in automobiles has also rendered surplus about 30 per cent capacity in these countries.

Contrary to the earlier belief that the European forgings and castings industries are closing down due to shortage of labour and environment pollution, the survey team found that only financially and technically weaker units are closing down. The competent foundries and forges are expanding, and moving more and more towards specialisation and modernisation. This does not leave much scope for Indian products to compete in these two countries.

The survey team has also found that Indian made forgings are generally out-priced in the western European markets. Unless the Indian exporters bring down prices at par with European and other forging manufacturers, there

ears to be no feasibility of ort of ferrous forgings to e markets. However, the an prices of cast iron pro-ts are competetive and have er scope.

The survey team also nd that the western opean markets do not e much knowledge about capabilities of Indian ging industry. They also not very sure of shipment time and quality. In addi-n, the European buyers are re or less in favour of arby sources located in the ographical proximity. The m feels that West Germany n be a better market for the dian exporters, provided a tter image of Indians indus-al capabilities is built up d the creditibility gap is mented,

Bank Credit for Fertilisers

The fertiliser industry is cur-ently facing certain problems rising from an accumulation f inventory of finished goods. The various aspects of the question were discussed by the Reserve Bank with the major ertiliser manufacturers and distributors, as well as the representatives of the Fertiliser Association of India, in Bombay recently. Following these discussions and taking into account the priority accorded to fertilisers in national policy, the Reserve Bank has indicated the norm of financing inventory of finished goods and of receivables as a temporary measure for the period up to the end of December 1975.

The permissible level of inventory of finished goods (stocks of fertilisers) and of receivables has been fixed by RBI at a 2—2 1/2 months' sales.

The Reserve Bank has advised that banks may use their discretion in allocating credit limits as between finished goods and receivables within the maximum permissible norm of two and a half months' sales, having regard to factors such as accumulation of stocks of finished goods and credit lines extended by manufactures to distributors.

Banks may use their discretion in determining the margin on advances against finished goods having regard to factors such as build-up of stocks of finished goods and internal cash generation. The Reserve Bank has suggested that margins on finished goods may be in the range of 15 per cent and 25 per cent.

Geoscientists to Help ONGC

The ministry of Petroleum and Chemicals has advised the Oil and Natural Gas Commission (ONGC) to constitute a panel of eminent geoscientists in the country to intensify search for oil and gas on-shore. The panel of geoscientists will inter-act with the ONGC's own scientists to review available data and determine strategy for various prospective on-shore sedimentary basins mentioned by the Malaviya Committee.

Leather Manufactures' Exports Doubled

Exports of leather manufactures have increased twofold during the first ten months of 1974-75 to Rs 37.80 crores as against Rs 18.78 crores during the same period in 1973-74. On the other hand, exports of semi-processed hides and skins have registered a fall to Rs 91.11 crores during April 1974 to January 1975, as compared to Rs 128.79 crores in the same period in 1973-74.

This rise in the exports of finished products and fall in semi-processed leathers is in accordance with the policy of the government of India. The policy is to change the composition of export trade from export of semi-processed hides and skins to finished leather and leather manufactures. On the recommendations of Seetharamiah Committee, the government regulated export of semi-processed leather by a quota system since August 1973.

The government has also taken promotional steps to increase production and export of leather manufactures, namely, installation of capacity for production of finished leather, automatic licensing, compulsory use of two-third of the import replenishment for import of machinery, liberal import of machines, chemicals and dyes and setting up of common facility centres by states to enable small tanners to switch over to production of finished leather.

The targets of exports for 1974-75 have been fixed at Rs 110 crores for semi-manufactured leathers and Rs 90 crores for finished and manufactured leather.

Rice from Thailand

India has purchased one lakh tonnes of boiled rice from Thailand on government to government basis. The first shipment of 30,000 tonnes of rice will arrive next month. The government has purchased rice to meet the demands of predominantly rice eating states such as Tamil Nadu and Orissa which have been affected by drought. An agreement was signed recently between the two countries at Bangkok.

ARC on Development Finance

A viable strategy for the development of horticulture, plantation crops and forestry in the north eastern region (constituting Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura) has been suggested by a study team in its report submitted to the Agicultural Refinance Corporation(A.R.C). The study team was appointed by the corporation sometime ago with Dr H.B. Shivamaggi, a Senior Director, as leader and comprising two technical experts and one operational expert, to examine the potential for bank lending for the development of horticulture, plantations and forests in the region and to identify the conditions required to be fulfilled for the formulation of concrete schemes.

The study team has recommended the setting up of a Horticultural Development and Processing Company for the region as a joint sector undertaking to make arrangements for ensuring quality production and competitive marketing both in India and abroad.

New Strategy for Jowar

Minimising wide fluctuations in sorghum (jowar) output by spreading the modern cultivation technology to larger areas is the highlight of this year's sorghum production strategy prepared by the union Agriculture and Irrigation ministry.

Increasing the coverage of the high-yielding varieties at a faster pace, selection of the right type of seed for the area, timely sowing and proper management are also important for achieving the objectives. For familiarising the farmers with the latest hybrid varieties and cultural practices. The minikit programme has been extended to sorghum also from this kharif season. The minikit programme in sorghum is a fifth Plan scheme.

SAIL's Record Profit

The finalised accounts of the Steel Authority of India Limited for 1974-75 show that the company's net profits have reached an all-time high of Rs 48.57 crores. Earlier estimates had placed the profits at Rs 42 crores. SAIL's profits for 1974-75 compare very favourably with its performance during the last two years. In 1973-74 the profit was a marginal Rs 4.7 crores and in 1972-73 the company had incurred a loss of Rs 27 crores.

Higher production of saleable steel (Rs 19.86 crores), saleable pig iron (Rs 3.90 crores), and intermediates and by-products (Rs 1.35 crores), increased income through direct sale of steel through stockyards (Rs 5.10 crores), lower rate of consumption of coke at Bhilai and Rourkela (Rs 2.5 crores) were some of the major factors that have contributed to the steep increase in profits during 1974-75.

Reserves of Industrial Countries

International reserves of industrial countries were at a distinctly higher level at the end of the first quarter 1975 than a year earlier. Total reserves of industrial countries, which include their holdings of foreign exchange, gold and Special Drawing Rights (SDRs) as well as their reserve positions in the IMF. amounted to the equivalent of SDR 100 billion at the end of the first quarter 1975. A year earlier they had dropped to the lowest point since the second quarter of 1972 when they reached SDR 94 billion at the end of March 1974. Later in 1974 and in early 1975 the reserve holdings of industrial countries increased, attaining again the level of roughly SDR 100 billion which had prevailed through most of 1973.

Among the major factors behind this increase were large external borrowings—both private and official—in the Euro-markets as well as large inflows of funds from the oil producing countries. Also, some countries experienced a strengthening of their balance of payments quite apart from the flows of borrowed funds. International reserves of the United Kingdom rose from SDR 5.34 billion at the end of the first quarter of 1974 to SDR 5.87 billion at the end of the first quarter of 1975, of France from SDR 6.74 billion to SDR 7.52 billion and of Japan from SDR 10.3 billion to SDR 11.35 billion during the same period.

Countries such as West Germany at the end of March 1975 had reserves at SDR 27.57 billion (end-March 1974: SDR 27.25 billion), Switzerland SDR 7.2 billion (SDR 6.29 billion), the Netherlands SDR 5.77 billion (SDR 4.98 billion) and Belgium with SDR 4.72 billion (SDR 3.96 billion), were in a strong balance of payments position throughout the period under consideration.

Iron Ore Exporting Countries Meet

The working group of the proposed association of iron ore-exporting countries began its three-day meeting in London on June 25 to complete the preparatory work for convening the first session of the association's conference of ministers. India has been functioning as the coordinator of the group and the convener of the session. The Indian delegation to the meeting is led by Mr Y.T. Shah, union Commerce Secretary, and includes Mr Ramachandran, chairman of the Minerals and Metals Trading Corporation, and Mr N.K. Singh, special assistant to the Commerce minister. Mr Shah will preside over the working group meeting.

The group which was set up by an earlier ministerial level meeting of the iron ore exporting countries held at Geneva on April 2 and 3, includes Algeria, Australia, India, Mauritania, Sweden and Venezuela.

The forthcoming meeting will also remain open to Brazil, Chile, Peru, Sierra Leone and Tunisia. It may be recalled that these 11 countries signed the final act of the Geneva meeting. The purpose of forming an association of iron ore-exporting countries is to safeguard their interests in the present inflationary situation. Iron ore exports, specially during the sixties, were being controlled by the buyers's market, and the export price of ore was not keeping pace with the increasing prices of other commodities including steel.

In Brief

India's quota in the IMF would decline from 3.22 to 2.94 per cent under the sixth revision of IMF quotas, according to the Finance minister, Mr C. Subramaniam.

The recently created Iranian-Indian shipping company will in the initial stages have a fleet of 21 vessels with an aggregate tonnage of five lakhs.

Surinam in northern Latin America will be proclaimed an independent republic on November 25.

One million tonnes of coal will be exported this year to Sri Lanka, Nepal, Pakistan and Bangladesh.

The Indo-Bangladesh Joint Rivers Commission, which concluded its three-day session in Dacca on June 21, has finalised its report on the best means of augmenting the flow of the Ganga during the le[an] months. The commission w[ill] submit the report to the t[wo] governments shortly.

A new experiment to man[u]facture polyester fabrics in t[he] handloom sector is bei[ng] launched by Petrofils Cooper[a]tive Ltd, a joint venture of th[e] union government and th[e] cooperatives. This will be th[e] first time that handloom we[a]vers and kinitters will be mak[ing] an entry into an area whic[h] has been an exclusive preserv[e] of the organised sector.

The International Develop[]ment Association (IDA), a[n] affiliate of the World Bank announced recently the ap[]proval of a credit of US $2[] million for the developmen[t] of the Command Area of th[e] Chambal Irrigation Project i[n] the state of Madhya Pradesh. The project will provide al[l] necessary physical works and agricultural supporting ser[]vices to enable full realisation of the benefits of the existing Chambal irrigation system in Madhya Pradesh.

Exports of engineering products to west European markets have almost doubled to Rs 21.55 crores during 1973-74 as against Rs 11.2 crores in the previous year. The enlarged European Economic Community (including UK) has raised its offtake to reach Rs 19.5 crores from Rs. 9.9 crores in the comparable years. UK continued to be a major importer of engineering products from India.

Eastern Economist 30 Years Ago

JUNE 29, 1945

It is only recently that the world has become conscious of the population problem facing it. In fact, there is a certain vicious analogy between the world's economic problem and its demographic problem. The gross international maldistributon of wealth finds its counterpart in the gross maldistribution of the world's population. And just as in the economic world, the rich tends to be richer and the poor tends to be poorer, overpopulated countries tend to find their population problems steadily aggravated while underpopulated countries find themselves progressively more underpopulated in relation to economic potentiality. In fact, the demographic economic set-up constitutes an integral vicious complex. The poorer countries find their problem of poverty insoluble due to steadily mounting population pressure; at the same time rich and progressive countries find their economic future imperilled by the looming threat of depopulation.

COMPANY AFFAIRS

Markets Listless

STOCK MARKETS were listless during the past week. Marketmen were reluctant to enter into fresh commitments in view of the prevailing political uncertainty. Hopes of revival of US aid and the West German decision to give aid on softer terms to developing nations hit by the oil crisis failed to enthuse operators. Even encouraging corporate news were overlooked by marketmen. With activity thus at a very low ebb, share prices tended to drift to new low levels. The last week's decline has taken the all-India share price index to a new low for 1975. The only buyers now are institutions and they too have been picking up shares only on a selective basis. As a result the business was limited with share prices moving in a narrow range. What is more, there are no signs of any improvement in the near future.

The capital market continued to be dull and cheerless. Only a few good issues attracted public attraction. The recent Gujarat Alkalies and Chemicals' issue evoked good response from the public, the issue being oversubscribed on the second day of the opening of subscription. Meanwhile the depressed state of the capital market will be discussed threadbare at a workshop being organised by the Punjab, Haryana and Delhi Chamber of Commerce and Industry. Senior government officials, representatives of stock exchanges, experts from banks and financial institutions, leading industrialists and economists will take part in the discussion to be held in New Delhi on July 4. The Chamber proposes to submit to thə government various suggestions emanating from the expert discussion for consideɹation.

Gwalior Rayon

The Gwalior Rayon Silk Manufacturing (Weaving) Co Ltd has reported impressive improvements in its working results during the year ended March 31, 1975, production, sales, profits and margins all being substantially higher than in 1973-74. Equity dividend has been kept unchanged at 12 per cent but it is payable on a higher capital resulting from the three-for-five bonus issue. About 70 per cent of the dividend will be exempt from tax in the hands of the shareholders.

Spectacular Rise

Production of rayon grade pulp rose spectacularly to 95,500 tonnes from 61,800 tonnes in 1973-74 as also viscose staple fibre from 57,900 tonnes to 71,800 tonnes. The output of caustic soda too went up steeply from 38,000 tonnes to 42,300 tonnes. The smart increase in production during 1974-75 was reflected in an encouraging rise in turnover which too expanded by about 50 per cent from Rs 101.87 crores to Rs 151.18 crores.

The net profit jumped to Rs 7.17 crores from Rs 4.48 crores in 1973-74. Appropriations, among others include Rs 6.08 crores to depreciation reserve, Rs 0.69 crore to development rebate reserve and Rs 16.37 crores for taxation as against Rs 5.02 crores, Rs. 0.86 crore and Rs 7.78 crores provided respectively in 1973-74. The allocation to preference shares capital redemption reserve was maintained at Rs 15 lakhs while a sum of Rs 90 lakhs was earmarked for gratuity as against no provision in the earlier year.

During the year initial shipments valued over one crore of rupees were made to the Republic of Korea and it is expected that the entire supplies of plant and machinery of worth about Rs 5.5 crores would be completed within the stipulated time viz. September 1975. Exports of part of the staple fibre plant and machinery to Thailand would also be commenced during the current year. Possibtlities are being explored for export of such plant and machinery to Phillipines, Malaysia, Turkey, Indonesia, Bangladesh etc. The company has also made a beginning in the export of chemicals by exporting sodium sulphate to countries such as Iran, Kenya and Bangladesh, to the tune of over Rs 1.10 crores and further shipments are in hand. The company has approached the government for permitting exports of rayon grade pulp and staple fibre.

Exchange Saving

Rayon grade pulp production, with Harihar plant going into full production' is in excess of the company's own requirement and the company, after meeting its own requirement has sold about 13,000 tonnes of pulp during the year under review to rayon filament and cellophane paper manufacturers, thereby saving additional foreign exchange to the tune of over Rs 5.30 crores on imports of pulp.

Harihar Polyfibres — a division of the company— has been the proud recip of the 1974 Sir P.C. Award from The Ind Chemical Manufacturers' sociation in recognition the outstanding and pionc ing effort for the success development of indigen technology at Harihar producing rayon grade p from hybrid eucalyptus. E lier, the company's p plant at Mavoor had ceived rhe award for succe fully developing commerc production of rayon gra pulp from bamboo.

The joint venture stap fibre project in Thailand making satisfactory progre Export of some addition machinery & equipment, ov and above what was orig nally proposed, has been no agreed to, subject to t approval of the Reserve Ban of India.

Expansion Project

A letter of intent for th manufacture of polynosi fibre, having an annual capa city of 36,500 tonnes, has bee received and the preliminar work on the implementa tion of the project has bee taken in hand. The company' application for expansion o 12,500 tonnes of superio quality of pulp at Hariha is being processed by th government.

In view gof the seriou power shortage all over th country including the stat of Karnataka, and to eco nomise in chemical consump tion, one additional reco very boiler and a turbo generaring set, costing abou Rs 4.5 crores, has bee ordered to be installed a Harihar. The company ha been allowed by the govern ment to diversify its activi ties by manufacturing rayo grade and paper pulp machi nery at its engineering & development division, base on its own know-how.

Telco

The directors of Tata En gineering and Locomotive Co Ltd have raised the equi dividend from Rs 9.30 to R 15 a share for the year ende March 31, 1975. Out of th

proposed dividend, nearly 42.45 per cent (Rs 6.36 per share) will be tax-free in the hands of the shareholders. Moreover, out of the recommended dividend, Rs 9,30 per share will be paid after the annual general meeting while the balance of Rs 5.70 will be paid in two equal instalments.

Although its sales have gone up to Rs 222.15 crores from Rs 162.90 crores in 1973-74, the gross profit has dropped by from Rs 20.55 crores to Rs 18.28 crores. After making adjustments the directors have appropriated out of the gross profit, a sum of Rs 11.34 crores to depreciation reserve, Rs 2.65 crores to development rebate reserve, Rs 17 lakhs for gratuity, Rs 1.36 crores for taxation and Rs 20 lakhs for debenture reduction reserve as against Rs 9.02 crores, Rs 1.70 crores, Rs 1.46 crores, Rs 4.50 crores and Rs 20 lakhs in 1973-74. The equity dividend will absorb Rs 2.27 crores as compared to Rs 1.41 crores in 1973-74 while the preference dividend will claim Rs 39 lakhs the same as in the preceding year.

Larsen & Toubro

The excellent performance of Larsen & Toubro in 1974-75 has enabled the directors of the company to enhance the dividend to 18 per cent. Last year the directors had recommended 15 per cent dividend, but only 11.2 per cent could be paid on account of the ordinance restricting dividends. Out of the total dividend of 18 per cent, six per cent will be paid before July 10, 1975 as interim dividend. Another six per cent will be paid immediately following the annual general meeting in August, making a total of 12 per cent, which is the maximum that can be paid under the Companies (Temporary Restrictions on Dividends) Act, 1974. The balance six per cent (to make a total of 18 per cent) will be paid in two equal instalments on July 1976 and July 6, 1977, together with interest at the rate of eight per cent per annum.

The company's sales have reached Rs 58.9 crores out of a total group turnover of Rs 93.2 crores. This represents an increase of 35 per cent over last year's performance. Production in the company's factories has increased by 30 per cent. Other key indicators, such as order booking and profits, also reached. The highest level on record. The order backlog on March 31, 1975, stood at Rs 72 crores as compared to Rs 59 crores a year earlier.

The gross profit too rose spectacularly to Rs 6.99 crores from Rs 5.48 crores in 1973-74. The directors have enhanced the allocations to all the reserves. The appropriation to depreciation reserve was stepped up from Rs 78 lakhs to Rs 95 lakhs, for taxation from Rs 240 lakhs to Rs 285 lakhs and for development rebate reserve from Rs 19 lakhs to Rs 21 lakhs. This leaves a substantially higher net profit of Rs 298 lakhs as compared to Rs 211 lakhs in 1973-74. The proposed equity dividend will absorb Rs 107 lakhs, Rs 40 lakhs more in 1973-74 while the preference dividend will claim Rs 10 lakhs, the same as in the preceding year.

Modi Rubber

Modi Rubber which commenced production in November last is currently producing about 1000 tyres a day. Its production totalled to about 25,000 tyres in April 1975 as against a modest output of 3000 tyres in November. The company hopes to reach a rated capacity shortly after the equipment required for the manufacture of tractor and animal-drawn vehicles tyres has been erected and commissioned in the last quarter of 1975.

In view of the acute shortage of power in UP, the company is getting only half the supply of power against the contracted demands of 10 MW. As the demands for power is increasing fast due to rise in production, the management has requested the UP State Electricity Board to release the full load of power. The company is making use of the auxiliary power plant at Kashimpur jointly owned by the four companies of the group and its own generating facilities, when required. The cost of the company's project has increased to Rs 27.68 crores from Rs 23.63 crores. The over-run is being met by raising term loans, public deposits and from internal sources.

Ashok Leyland

Ashok Leyland has succeeded in securing an order for the supply of off-the-highway dumpers from the ministry of Works and Housing, Kingston, Georgetown, Guyana. This order with a total value of over Rs 5 million is for the supply of Hippo Dump Trucks and spare parts. The dump trucks are to be used in the Upper Mazaruni road project which is shortly being taken up by the government of Guyana. The contract was won in a global tender against stiff international competition.

Ashok Leyland who have hitherto been concentrating on the sales of buses and trucks in the export market are pleased with their success in their initial venture for the sales of construction equipment in the overseas market. The Hippo Dumper has already established a name for itself in the home market for ruggedness, reliability and low cost of operation and maintenance. As a result of intense export efforts during the last few months a number of enquiries are on hand for the supply of off-the-highway dump trucks.

Hindustan Sanitaryware

The directors of Hindustan Sanitaryware and Industries Ltd have recommended an equity dividend of 15 per cent for 1974-75 which is 25 per cent higher in comparison to last year. As per the company's amendment act, a sum of one rupee will be paid during the year and the balance of 50 paise in two equal instalments. With the fall in the production by about 20 per cent from 5453 tonnes to 4322 tonnes due to severe power famine and cut in fuel oil supply, the company's gross profit has also dropped to Rs 70.68 lakhs from Rs 87.09 lakhs in 1973-74.

Sales, however, recorded a smart rise to Rs 317 lakhs and it exceeded the previous year's performance by as much as Rs 29 lakhs. Out of the gross profit, the directors have transferred Rs 13.33 lakhs to depreciation reserve as against Rs 13.15 lakhs in 1973-74 while the allocation to development rebate reserve was reduced by Rs. 0.60 lakh to Rs 1.20 lakhs.

Taxation claimed Rs 32.30 lakhs as against Rs 41.42 lakhs in the earlier year. The disposable surplus thus amounted to Rs 23.85 lakhs and the entire amount has been transferred to general reserve from which the dividend absorbing Rs 11.08 lakhs will be paid.

Leader in Exports

The company continues to be a leader in exports for the last 10 years. During the year its exports touched an all-time high of Rs 37.97 lakhs as compared to Rs 22.01 lakhs in 1973-74. Moreover the company has the proud privilege of bagging an export award from "Capexil" for its outstanding performance during the year. The company has recently received the approval from the government for its second unit at Tarapur industrial area near Bombay. Soma Plumbring Fixtures Ltd, the company's subsidiary, is scheduled to start production in October 1975.

Andhra Steel

Unfavourable conditions in the steel market have adversely affected the working of Andhra Steel Corporation during the year ended October 31, 1974. Although its sales have gone up from Rs 5.88 crores to Rs 9.19, gross profit has declined by nearly 25 per cent from 77.09 lakhs to Rs 57.73 lakhs. The directors have recommended an equity dividend of

five per cent on the enlarged capital resulting from the rights issue in the one for four ratio. In 1972-73 the company paid an equity dividend of 12 per cent. Out of the gross profit the directors have allocated Rs 25.14 lakhs to depreciation reserve as against Rs 40.11 lakhs in the previous year while the appropriation to development rebate reserve was reduced from Rs 19.12 lakhs to Rs 12.07 lakhs. The management does not anticipate any tax liability for the year as against Rs 10 lakhs in the preceding year.

News and Notes

The name of Nagpal Ambadi Petro Chem Refining Co. Ltd has been changed to **Nagpal Petro Chem Ltd** with effect from May 6 1975.

Orient Abrasives has started manufacturing aluminium abrasive grains for the first time in the country. This is expected to yield a saving of one crore rupees in foreign exchange annually. The company has also begun to produce brown aluminium oxide abrasive grains. The calcination kiln for the manufacture of calcium bauxite is expected to be commissioned soon. The company hopes to export 20,000 tonnes of calcium bauxite valued around Rs 75 lakhs a year.

The first trial run of a medium duty fully automatic cartoner made in India, was held by **Metal Box**. The MB IWKA KK 4 continuous motion cartoner has been manufactured by Metal Box India in technical collaboration with Messrs. Industrie-Werke Karlsruhe-Augsburg of West Germany. The cartoner can handle a very large variety of products including tubes, bottles, blisterpacks, soaps, bearings, electric bulbs, ampules, vials, bags and pouches.

New Issues

Special Steels Ltd is at present engaged in the manufacture of various types of high carbon mild steel, alloy steel and stainless steel wires and it ranks as one of the largest wire drawing units in the country. The company has formulated a programme of expansion which envisages to increase the installed capacity from 50,000 tonnes to 75,000 tonnes and diversify the production range with a view to improving the profitability of its operations. An industrial licence has already been received for effecting the substantial expansion.

The company is having a modern wire drawing plant at Dattapara, Borivli, and part of the additional capacity amounting 13,000 tonnes will be set up at the existing plant at Borivili. The company has also acquired land at Tarapur for installing the additional capacity of 12,000 tonnes. To meet a part of the cost of the expansion programme the compay is offering to the public 40,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list for this fully underwritten issue opened on June 26 and it will close on July 2 or earlier but not before June 30.

Neomer Ltd, Baroda, promoted by Alembic Works Ltd, to manufacture polypropylene staple fibre will enter the capital market with a public issue of equity shares worth Rs 1.80 crores. The company has received licence to manufacture 6,000 tonnes of pol[y]propylene staple fibre p[er] annum. The company h[as] entered into a collaborati[on] agreement with James Mack[ie] and Sons of the UK. T[he] factory is being put up [at] Panelav in Panchamahal di[s]trict, a backward area. T[he] production is expected to com[]mence from early 1976. T[he] company is expected to mak[e] profits from the third year [of] its operations, i.e, by 1978. I[n] the initial years, the main ra[w] material will be imported bu[t] thereafter it will be availabl[e] from the IPCL, Baroda.

Dividends

(Per cent)

Name of the company	Year ended	Equnty dividend declared for Current year	Previous year
Same Dividend			
Sri Ramakrishna Mills (Coimbatore)	March 31,1975	12.0	12.0
Gujchem Distillers India	December 31,1974	12.0	12.0
Mysore Lamp Works	December 31,1974	12.0	12.0
Reduced Dividend			
Alembic Glass	December 31, 1274	10.0	12.0
Bharat Vijay Mills	December 31, 1974	12.0	16.0
John Fowler	December 31, 1974	12 0	15.0
Nutan Mills	December 31, 1974	12.0	18.0
Raipur Manufacturing	December 31, 1974	8.0*	20.0
Saraspur Mills	December 31, 1974	12.0	24.0

*On enlarged capital.

Licences and Letters of Intent

The following licences and letters of intent were issued unde[r] the Industries (Development and Regulation) Act 1951 durin[g] the month of March 1975. The list contains the names and addresses of the licensees, articles of manufacture, types o[f] licences—New Undertaking (NU), New Article (NA): Substantial Expansion (SE), Carry on Business (COB) Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Delhi Tubes (P) Ltd; 23-South Exten. Part-I, New Delhi—(Narela-Delhi)—Black, Galvanised and Aluminised Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Patheja Forgings & Auto Parts Mfrs (P) Ltd; 339/A, V.P. Road, Opp. Congress House, Bombay-1—(Pimpri-Poona-Maharashtra)—Un-machined Steel Forgings—1400 tonnes p;a—(COB)

M/s Teg Forgings & Stampings, Gill Road, Ludhiana—(Ludhiana-Punjab)—Steel Forging (Unmachined)—2500 tonnes —(COB)

M/s Lauls (P) Ltd; N.I.T. Faridabad—(Faridabad-Haryana)—Steel Forgings (Unmachined)—2000 tonnes—(COB)

M/s Kisan Steel (P) Ltd; B-12, Industrial Area, Bulandshar Road, Ghaziabad—(Ghaziabad-UP)—Un-machined Steel forgings—2500 tonnes; Forged Steel Rolls—3000 tonnes—(COB)

M/s Deccan Pipes & Tubes Ltd; 29/2, K.H. Road, Shantinagar, Bangalore—(Dharampuri (Hossur), Tamil Nadu)—Steel Pipes & Tubes (Black & Galvanised)—10,000 tonnes —(COB)

M/s U.P. Metal Inds. Ltd; 23-A, Netaji Subhas Rd; Calcutta-1—(Sandila, Hardoi, UP)—Steel Pipes & Tubes (Galvanised)—10,000 tonnes p.a—(COB)

M/s National Alloy Steel. c/o Malerkotla Ice & Oil Mills, Malorkotla, Patiala—(Malerkotla, Punjab)—M.S. Ingots, Electrode quality Carbon Steels; Forging quality Carbonssteels; Cold Heading quality Carbon Steels, etc.—9000 tonnes—(COB)

M/s Deepak Insulated Cable Corpn. Ltd: Industry House, 45-Fairfield Road, Bangalore—(Bangalore-Karnataka) —Enamelled Copper Strips—400 tonnes—(NU)

M/s Utkal Ferro Alloys (P) Ltd; 4-Khairu Place, Calcutta—(Rairangpur, Mayurbhanj, Orissa)—Ferro Vanadium; Ferro Molybdenum; Ferro Tungsten—300 tonnes—(NU)

Electrical Equipments

M/s Devidayal Electronics & Wires Ltd; Gupta Mill

state, Reay Road, Bombay—(Bangalore-Karnataka)—Electronic Desk Calculators—3000 nos—(NU)

M/s Mahindra & Mahindra Ltd; Gateway Building, Apollo Bunder, Bombay-1—(Bombay-Maharashtra)—Electronic Controllers—2000 nos. p.a—(NA)

M/s Motwane Manufacturing Co (P) Ltd; Gyan Ghar, 4th Road, Khar-Bombay—(Bombay-Maharashtra)—Public Address Equipments—220 nos; Voltage Stabilisers—900 nos—(COB)

M/s Murphy India Ltd; 29-New Queens Road, Bombay—(Bombay-Maharashtra)—Stereo Amplifiers with Speakers—2800 nos. p.a—(COB)

M/s Telesound India Ltd; G-4, New Delhi South Extension, New Delhi—(Ballabhgarh, Gurgaon, Haryana)—Tape Recorders—10,000 nos—(NA)

M/s Bharat Electronics Ltd; Jalahalli P.O, Bangalore-13—(Bangalore-Karnataka)—TV Picture Tubes—2 lakh nos. p.a—(SE)

M/s Guest Keen Williams Ltd; 'Jeevan Vihar'; 3-Parliament Street, New Delhi—(Bhandup, Bombay, Maharashtra)—Magnetic Strip Wound Cores—500 tonnes—(SE)

M/s Khatau Junder Ltd; Dattapada Road, Borivli, (East), Bombay—(Greater Bombay-Maharashtra)—Paper Condensers—5 lakh nos—(NA)

M/s Kerala State Electronics Dev. Corpn. Ltd: (KSEDC), 1133 & 1134, Sasi Vihar, Peroorkada, Trivandrum—(Trivandrum-Kerala)—Microphones, Earphones, Headphones & Midget Loudspeakers—1 lakh nos. Magnetic Recording Play Back Erase Heads—50,000 nos., Miniature DC Motor—30,000 nos—(NA)

M/s The Mysore Electrical Industries Ltd; Bangalore-Tumkur Road, Yeshwantpur, Bangalore—(Yeshwantpur, Bangalore, Karnataka)—Earth Leakage Relays—1,600 nos. p.a; Inverse Characteristic Over Current Relays—1,400 nos; Under/Over Frequency Relays—240 nos; Under/Over Voltage Relays—240 nos; Directional Over Current Relays—240 nos. p.a—Distance Relays—240 nos. p.a—Motor Protection Relays—240 nos; Differential Protection Relays—240 nos; Reverse Power Relays—240 nos; Auto Synchronising Relays—120 nos; Under Current Relays—240 nos; Phase Failure Relays—20,000 nos; Time Delay Relays—6,000 nos; Boiler Flame Relays—2,000 nos—(NA)

Telecommunications

M/s Indian Telephone Industries Ltd; Doorvani Nagar. Bangalore—(Rae Bareli-UP)—Telephone Exchange Equipment (Strowger Equipment)—1 lakh lines p.a—(NU)

Transportation

M/s W.G. Forge & Allied Industries Ltd; Post Box No 41, Majiwadi, Thana, Maharashtra—(Thana-Maharashtra)—Crank Shafts at the New Unit to be set up in Ratnagiri District, (Maharashtra)—35,800 nos; Heavy Crankshafts at the Existing Unit at Thana—200 nos—(NA)

M/s Sundaram Abex Ltd; 37-Mount Road, Madras—(Saidapet, Chinglepet, Tamil Nadu)—Organic Automotive, Non-Automotive and Industrial Friction Material—1,500 tonnes p.a—(NU)

Industrial Machinery

M/s Star Textile Engg. Works Ltd; Dhanraj Mahal Appollo Bunder Road, Bombay—(Manpada-Maharashtra)—Ultra Voilet Water Purifiers—Rs 150 lakhs, Ultra Voilet Air-purifiers—Rs 8 lakhs, Special Large Plants for Township Water Purification—Rs 12 lakhs—(NA)

Mr R.K. Rekhi, M/s B.R. Engineering Industries (India) Ltd; S-215, Greater Kailash-I, New Delhi—(Ballabhgarh-Haryana)—Chippers, Chip Preparation and Feeding Equipment; Pulping Plant-Batch Type; Evaporators-Roasters; Fourdrinier Paper Making Machine complete with Stock Preparation Wet end Drying Part, Reeler, etc. of capacity upto 15 tonnes per day at 60 GSM—within the approved capacity of *ONE UNIT* per annum for Pulp and Paper Making Plant upto 200 tonnes per day, capacity and 500 tonnes per annum approximately of Paper Converting Machinery of capacity upto 50 tonnes per day of Coated Papers—(NU)

M/s Bharat Heavy Electricals Ltd; 18-20, Kasturba Gandhi Marg, New Delhi—(Delhi)—Diesel Electrical Drilling Rings—8 nos. p.a—(NA)

M/s Dalmia Cement (Bharat) Ltd; 4-Scindia House, New Delhi—(Dalmiapuram, Tiruchirapalli, Tamil Nadu)—Shaft Kiln Cement Plant—200 tonnes per day—(NA)

M/s Mining & Allied Machinery Corporation Ltd; (A Govt. of India Undertaking), P.O. Durgapur-10—(Durgapur, Burdwan, West Bengal)—Coal Drill—3000 nos. (66 tonnes). Flame Proof Diesel Locomotives—24 nos (168 tonnes)—(NA)

M/s Davy Ashmore India Ltd: 6-A, Middleton Street Calcutta-16—(Behala West, 24-Parganas, West Bengal)—*Presses*: Forging Presses 600 tonnes & Above Extrusion Presses for Sections & Tubes—500 tonnes & above—Graphite & Carbon Presses 650 tonnes and above. Wheel Forcing Presses including manipulators & Product handling equipmet—4 nos. per annum each.

M/s Davy Ashmore India Ltd; 6-A, Middleton Street, Calcutta-16—*Rolling Mills*: (a) Single-Stand Mills-Multi Roll Mills, Foil Mills, Piercer type Tube Mills-Roll Dia. 400 mm & Below—4 nos. p.a; (b) Multi-stand Mills—Bar & Rod Mills, Wire Rod Mills, Hot & Cold Strip Mills, Sheet Mills, Section Mills—Average Roll dia. 400 mm & below—4 nos. p.a;—(c) Process Lines for Rolling Mills—Cut-up, Slitting & Trimming Lines, Coil Building up lines Degreasing & Grinding Lines, Annealing & Pickling Lines, Stretcher & Leveller line—Continuous Casting Machines—60 M.T—Side Blown Converters—30 M.T—Furnace Accessories like tap hold Drilling Machine & Clay Guns—10 M.T—(NU)

M/s Grindwell Norton Ltd; Army & Navy Building, Mahatma Gandhi Road, Bombay—(Kolaba-Maharashtra)—Grinding Wheels & Bonded Abrasives—4020 M.T—(SE)

M/s Triveni Engineering Works Ltd; 1107, Ansal Bhavan, 16-Kasturba Gandhi Marg, New Delhi—(Bangalore-Karnataka)—High Speed Reduction Gears—192 nos. p.a—(NU)

Agricultural Machinery

M/s New Digvijasinghji Factory; P.O. Box 24, Jamnagar, Gujarat—(Jamnagar-Gujarat)—Tin Agricultural Implements—360 M.T—(COB)

M/s Sharda Industries (P) Ltd; 10-Industrial Area, Jhetwara-Jaipur—(Jhetwara-Rajasthan)—Agricultural Implements—57 M.T—(COB)

M/s Mahavir Metal Works (P) Ltd; 15/2, Mathura Road, Faridabad—(Faridabad-Haryana)—Agricultural Implements—30/220 tonnes—(COB)

M/s Sharda Industries (P) Ltd; 4-Digamber Jain Temple Road, Calcutta—(24-Parganas-West Bengal)—Agricultural Implement—190 M.T—(COB)

M/s Grand Foundary (P) Ltd; G.T. Road, Batala—(Thana Creek-Maharashtra)—Agricultural Implements—290 M.T—(COB)

M/s Sunlight Foundary; Lucknow Road, Barabanki—

(Barabanki-UP)—Agricultural Implements—102 M.T—(COB)

M/s Pensla Industries; Jagyaru, Preet Nagar, Jullundur—(Jullundur-Punjab)—Agricultural Implements—220 M.T—(COB)

M/s Shree Shankar Industries; 18-Walkeshwar Road, Bombay—(Bombay-Maharashtra)—Agricultural Implements—1200 M.T—(COB)

M/s Jaswant Iron & Textile Works; Madhubhai Mills Compound, Saraspur Road, Ahmedabad—(Ahmedabad-Gujarat)—Agricultural Implements—1840 M.T—(COB)

M/s Rashtriya Engg Works; G.T. Road, Batala—(Batala-Punjab)—Agricultural Implements—1000 tonnes p.a.—(COB)

M/s Merchant Steel Industries (P) Ltd; Nirmala Nagar, Bhavnagar—(Bhavnagar-Gujarat)—Agricultural Implements—450 M.T—(COB)

Miscellaneous Industries

M/s Ramon Sampatensili Ltd: Ramon House, 169, Backbay Reclamation, Bombay-1—(Thana-Maharashtra)—Hobs—2,500 nos; Shaping Cutters—2,500 nos; Shaving Cutters—500 nos; Cutters & Blades for Cutting Bevels & Hypoid Gears—500 nos—(NU)

Chemicals (other than Fertilizers)

M/s Metroark Pvt Ltd; 12-Lenin Sarani, Calcutta—(Bahala-Calcutta, West Bengal)—Polymeric Organosilicone Compounds—700 tonnes—(NU)

M/s Travancore Chemical & Mfg Co Ltd; P.B. No 19, Kalamaseery, Kerala—(Tuticorin, Tirunelveli, Tamil Nadu)—Alumina Ferric—2880 tonnes—(SE)

M/s Travancore Chemical & Manufacturing Co Ltd: P.B. No 19, Kalamassery—(Mettur Dam, Salem, Tamil Nadu)—Alumina Ferric—2880 tonnes—(SE)

M/s Agromore Limited; Mysore Road, Bangalore—(Bangalore-Karnataka)—Pesticidal Formulations based on Ethepon—40 Kilo Litres p.a—(NA)

M/s Bharat Heavy Plate & Vessels Ltd; BHPV (PD), Visakhapatnam—(Visakhapatnam-Andhra Pradesh)—Oxygen & Nitrogen—Gaseous & Liquid—1 Mlll C.M—(NA)

M/s Hindustan Lever Ltd; Express Building, Bahadur Shah Zafar Marg, P.O. Box No 734, N. Delhi—(Andheri, Bombay, Maharashtra—Sub Expansion in Tonnnes—Champahal— 5; Fatty Aldehydes—5; Benzaldehydes—25; Carbons & its Derivatives—4; Cinnamic Alcohol—3; Citral Acetal—3; Cyclomethane—5: Kastrone—5; P-Crasol (perfumery grade)—5: Total 60 tonnes. *New Articles* —Phenyl Ethyl Alcohol and its Esters—15 tonnes; Vetester— 4 tonnes; Total—19 tonnes—(NA/SE)

Dye-Stuffs

M/s Atul Products Ltd; Atul, Western Railway, Disst Bulsar—(Atul-Gujarat)—Michler's Ketone—80 tonnes—(NA)

Drugs & Pharmaceuticals

M/s Synbiotics Ltd; Post Box No 129, Wadi Wadi, Baroda—(Baroda-Gujarat)—Neomycin Sulphate—3000 Kgs—(SE) .

M/s Unichem Laboratories Ltd: 4-6, Jogeshwari Estate, Jogeshwari West, Bombay—(Bombay-Maharashtra)—Metronidazole—6 tonnes; Metronidazole Tablets—20 Mill nos—(NA)

M/s The Chemicals Ind. & Pharmaceuticals Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Ibuprofen & Formulations thereof—2 tonnes—(NA)

Textiles

M/s Sri Annapurana Cotton Mills & Industries Ltd; P-10, New Howrah Bridge Approach Road, Calcutta—(24-Pargana West Bengal)—Cotton Yarn—50,000 spindles—(SE)

M/s Mahalakshmi Mills Beawar (Raj); Care—NTC Lt Surya Kiran Building, Kasturba Gandhi Marg, New Del —Beawar-Rajasthan)—Cotton Yarn—25,000 spindles—(SE)

M/s Balaram Varma Textile Mills, Care: NTC Ltd; 8 Floor, Surya Kiran Bldg, 19-Kasturba Gandhi Marg, Ne Delhi—(Shencottah, Tirunelveli, Tamil Nadu)—Cotton Ya —25,000 Spindles—(SE)

M/s Shree Bijay Cotton Mills, Care: NTC Ltd; 8th Floo Surya Kiran Bldg; 19 Kasturba Gandhi Marg, New Delhi Ajmer-Rajasthan)—Cotton Yarn—25,000 Spindles—(SE)

Mr L. Narayanan Chettiar, Visalakshi', Madurai—(Bac ward Area of Tamilnadu)—Cotton Yarn—25,000 Spindles (NU)

M/s The Moradabad Spinning & Weaving Mills Co Lt Moradabad—(Moradabad-UP)—Cotton Yarn—25,000 spindl —(SE)

M/s The Patell Mills Co Ltd: Gomtipur Road, Ahmeda bad-21—(Gomtipur, Ahmedabad, Gujarat)—Cotton Textiles 456 looms—(SE)

Paper & Pulp (including Paper Products 1)

M/s Deccan Gears & Sprockets Ltd; 29/2, Kengal Hanu manthiah Road, Shantinagar, Bangalore—(Mysore-Karnataka Packing & Wrapping Paper—6,000 tonnes—(NU)

Sugar

M/s The Pandavapura Sahakari Sakhar Karkhana Ltd Pandavapura—(Pandavapura, Mandya, Karnataka)—Sugar—3,500 tonnes: cane crushing capacity per day—(SE)

Mr Dadaba Shankarrao Rajale, Chairman: Shri Vridheshwar Sahakari Sakhar Karkhana Ltd; Kasarpimpalgaon, Ahmednagar—(Ahmednagar-Maharashtra)—Sugar—800 tonnes per day—(NU)

M/s Shri Jagdamba Sahakari Sakhar Karknana Limited, Rashin, Karjat, Ahmednagar—(Karjat Ahmednagar, Maharashtra)—Sugar—800 tonnes of Cane crushing capacity per day—(NU)

Fermentation Industries

M/s Cresswell Breweries Ltd; 3-Clive Row, Calcutta—(Calcuttta-West Bengal)—Beer—45,000 HCL—(COB)

Rubber Goods

M/s Bengal Waterproof Works (1940) Ltd; 41-Shakespeare Sarani, Calcutta-17—(Panihati-24 Parganas-West Bengal)—Rubberised Fabric—24.0 lakh Metres; Hospital Rubber Cloth—12.0 lakh Metres; Chemical Proof Fabric—4.8 lakh metres; Hospital Rubber Sheeting—1,200 Metric tonnes; Air Cushion, Air Rings, Air Pillows, etc.—3.00 lakh pcs; Hot Water Bottles and Ice Caps—6 lakh pcs; Gum Boots—4.50 lakh pairs *New Articles*—Protective Footwear—3.0 lakh pairs: Inflatable Flotation Equipment—1.0 lakh pieces; Industrial Roll Covering of Rubber Components—250 Cubic Metres; Anti-Corrosive lining of Rubber—36,000 Sq Metres: Industrial Moulded Rubber Components & Parts—400 tonnes; Special Purpose Industrial Sheets—3 lakh pcs; Adhesives—3 lakhs litres—(SE/NA)

Leather, Leather Goods & Pickers

M/s Benil Leather Corpn,; 34, Wuthucattan Street, Periamet, Madras—(Saidapet, Chinglepet, Tamil Nadu)—Finished Leather from Skins—7,00,000 nos p.a—(SE)

Glue and Gelatin

M/s J.G. Glass Industries Pvt Ltd; Pimpri, Poona—(Haveli

harashtra)—Vacuum Flasks Refills—7.5 mill pcs p.a—
)

Miscellaneous Industries

M/s Suman Sugiyama Plastic & Electronics (P) Ltd; 12-ace Road, Bangalore—(Bangalore-Karnataka)—Plastic cessed Goods—500 tonnes p.a—(COB)

Letters of Intent

Metallurgical Industries (Ferrous)

M/S Tensile Ltd; Shah House, Dr Annie Besant Road, mbay-18—(Baroda-Gujarat)—Stabilised Strand Wires—,000 tonnes p.a—(NA)

Mr Ram Kishan Lila, 80-Dhan Mandi, Sriganganagar—I/S Lila Forgings Pvt. Ltd (Alwar-Rajasthan)—Closed Die eel Forgings—2,000 tonnes—(NU)

Fuels

M/s Bihar State Industrial Development Corpn Ltd; ndarbagicha, Patna-1—(Patna, Bihar,)—Town Gas (Main oduct)—13 Mill N.M; Semi Coke (Intermediate Product)-28 Lakh tonnes; Tar (Intermediate Product)—43,800 tonnes; fluent Gas Liquors(Intermediate Product)—17.52 tonnes—NU)

Prime Movers

M/s Kirloskar Cummins Ltd; Kothrud, Poona—(Haveli, oona-Maharashtra)—Internal Combustion Engine (in line)-250 HP)—2,500 nos p.a; Internal Combustion Engine n line 250-400) H.P—2,000 Nos p.a; Internal Combustion ngine (V-100-350 HP)-900 nos; Internal Combustion Engine V-400-800 HP)-430 nos; Internal Combustion Engine (K-400-00 HP)-400 nos; Internal Combustion Engine—(KV-800-1600 IP)-120 nos—Total6,400 nos—(SE)

Electrical Equipments

M/s The Bengal Electric Lamp Works Ltd; 4-Fairlie Place, Calcutta-1—(Hoskote, Bangalore, Karnataka)—Fluorescent Tube Lamps—3.6 Mill pcs—(SE)

M/s National Radio & Electronics Co. Ltd; Mahakali Road, Chakala, Andheri (East), Bombay—(Bombay-Maharashtra)—Calculators & Accounting/Invoicing Machines-6,500 nos—(SE)

M/s Mahindra & Mahindra Ltd; Gateway Building, Apollo Bunder, Bombay-1—(Bombay-Maharashtra)—Vigilance Control Devices—300 nos p.a—(NA)

M/s National Radio & Electronics Co Ltd; Unity House, -Mama Parmanand Marg, Bombay-4—(Bombay-Maharashtra) Digital Telemetering & Telecontrol Systems-40 nos—(N.A.)

M/s National Radio & Electronics Co Ltd; (Andheri, Bombay, Maharashtra)—Precision Electronic Equipment using CRT Oscilloscopes--800 nos; Readouts: Curve Tracers--50 nos; Industrial Wave Form Monitors—50 nos; Precision Electronic Instruments using Digital & Analogue Readouts—Multirange DVMS—300 nos; Multirange Analogue Voltmeters—200 nos; High Grade Electronic Signal Generators; Sine Wave Generators—150 nos; Sweep Generators—50 nos; Square Wage Generators and Pulse Generators—100 nos—(NA)

M/s Madras Forgings & Allied Industries (C.B.E.) Ltd; Mettupalayam Road, Karamadai, Coimbatore—(Coimbatore-Tamil Nadu— Electrical Motor Stampings—4,000 nos—(SE)

Mrs Sushila Aggarwal; c/o Commander R.B. Aggarwal Quarter No. 21/2, I.A.I., Poona-20—(Aurangabad, Maharashtra)—(i) Hard Ferrites—50 tonnes; (ii) Alumina Substrates-10—(NU)

Mr A Gangadhar Rao; C-87, Sanjeeva Reddy Nagar, Hyderabad—(Medak-Andhra Pradesh)—Metalized Plastic Films & Papers-15 tonnes—(NU)

M/s Chemicoat Limited; Kalali Road, Atladra, Baroda—(Baroda-Gujarat)—Metalised Polyster Film for the manufacture of Capacitors—15 tonnes—(NA)

M/s Sahney Kirkwood (P) Ltd: 27-Kirol, Near Vidya Vihar Station, Bombay—(Maharashtra)—Mica Paper—300 tonnes; Mica Papers based insulating Materials—200 tonnes; (NU)

Mr D. Dayakar Reddy, Podalkur, Nellore—(Nellore-Andhra Pradesh)—Cinema Arc Carbons—3 mill; pairs p.a—(NU)

M/s Punjab State Ind. Dev Corpn Ltd; S E O 54-55 & 56, Sector-17-A, Chandigarh—(Kapurthala-Punjab)—Mini Circuit Breakers upto 32-A—8 lakh nos—(NU)

Shri Om Prakash Rajgarhia, 5-Hunderford Street, Calcutta—(Rajasthan)—Mica Paper—300 tonnes; Mica based insulating material—200 tonnes—(NU)

M/s Electra (India) Pvt Ltd; Industrial Area, Pratapur, Meerut—(Partapur. Meerut, U P)—Transformers upto 33 KVA—3,00,000 KVA (S E) Power Transformers above 33-KV and not exceeding 220 KV—4,00,000 KVA—(SE/NA)

Transportation

M/s Bajaj Auto Ltd; Bombay-Poona Road, Akurdi, Poona—(Aurdi, Haveli, Poona, Maharashtra)—Scooters & 3-Wheelers—80,000 nos-p.a—(SE)

The Director, Govt. Gentral Industrial Workshop; Mysore Road, Bangalore—(Dharwar, Mysore Karnataka)—Electrically Operated 2 & 3—Wheelers—50,000 nos—(N U)

Industrial Machinery

M/s Mining & Allied Machinery Corpn Ltd; P O Durgapur— Distt: Burdwan—(Durgapur, Burdwan, West Bengal)—Coal Preparation Plant Equipment viz Belt Conveyors/Apron/Belt/Blade Feeders/Pumps/Structures/Gear Boxes/Cyclones and Sieve Bonds-Coal preparation Plant upto 1'600 TPH-Two complete plants in three years—(NA)

M/s Mining & Allied Machinery Corpon Ltd; P O Durgapur—Distt: Burdwan—(Durgapur, Burdwan, West Bengal)—Hydraulic Props of 20/40 tonnes capacity and Accessories—25,000 nos/2,000 tonnes p a; Friction Props of 20/40 tonne capacity and accessories—1,00,000 nos/4,000 tonnes—(NA)

M/s Bengal Paper Machinery Manufacturers; R-15, India Exchange Place Exten, Calcutta-12—(Dum Dum, 24-Parganas, West Bengal)—Standard Equipments, Individual Machines Spares-500 tonnes; Complete Plant and Equipments, for the manufacture of Pulp, Paper and Board upto 50 tonnes-1,100 tonnes—(NA)

M/s Walchandnagar Indus. Ltd; P O Walchandnagar, Distt: Poona--(Walchandnagar, Poona, Maharashra)-Industrial Gears-from 16 sets approx—2560 tonnes in weight to 3160 tonnes—(SE)

Agricultural Machinery

M/s Bihar State Agro Industries Development Corporation Limited; Boring Road, Patna—(Patna-Bihar)—Kuboto Power Tillers Model ER-90-N/KMB-5,000 nos p a—(SE)

Medical & Surgical Appliances

Mr Ramesh Ramdas Shrama; Bhode Chawal, Princess Street, Bombay—(Thana, Maharashtra)—Surgical Detachable Scalpel Blades (Bard Parker Type) of different sizes and specifications-2 mill nos—(NU)

Industrial Instruments

Mr P Hariharan; E-2/78, Area Colony, Bhopal—(Ranipet, Vellore, Tamil Nadu)—Flow indicating and recording Instruments for gaseous and liquid materials-40,000 nos p a; Flow-speed, feed and depth of cut recorders and time totalisers

except analogue strip chart recorders-40,000 nos p a; Engineers special inspection instruments-60,000 nos p a—(NU)

Mr C.C. Sheth; C/o M/s Chandra Inds, Old Nagardas Road, Andheri (East), Bombay-69—(Bombay-Maharashtra)—Drawing Instruments-3 lakh sets p a—(NU)

Chemicals (other than Fertilizers)

M/s Andhra Pradesh Industrial Development Corporation; B-1-174, Fateh Maidan Road, Hyderabad-50004—(Andhra Pradesh)—Caustic Soda-36,500 tonnes p.a—(NU)

Mr T.N.Ramachandra Reddy; 101-A, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi-110001—(Chittoor-Andhra Pradesh)—Electrolytic Manganese Dioxide-3,000 tonnes p.a—(NU)

M/s Kerala State Industrial Development Corporation Ltd; Trivandrum--(Kerala)—Formaldehyde-7509 tonnes p.a—(NU)

M/s Takta Chemicals; 53/54, Vithal Udyog Nagar, Vallabh Vidyanagar, Gujarat—(Jaffrabad, Bhavnagar, Gujarat)—Soda Ash-1,50,000 tonnes p.a—(NU)

M/s Ahemedabad Manufacturing & Calico Printing Co Ltd; Calico Chemicals Plastics & Fabrics Division, Anik Chembur, Bombay-74—(Bombay-Maharashtra)—Trichloroethylene—3,000 tonnes to 10,000 tonnes p.a—(SE)

M/s Hico Products Pvt Ltd; 771. Mogal Lane, Mahim, Bombay-400016—(Khopoli, Khalapur, Kolaba, & Thana. Maharashtra)—Textile Auxiliaries—5765 tonnes and 10,000 tonnes after expn—(SE)

M/s Jayshri Industrial Gases Pvt Ltd; 5-Stadium House, Veer Nariman Road, Bombay-20—(Tarapur, Thana, Palghar, Maharashtra)—Industrial Oxygen Gas—5,00,000 Cubic Metres p.a—(NU)

M/s Hindustan Conductors; 24, Sayed Abdulla Barelvi Rd, Bombay, Maharashtra,—(Maharashtra)—Maleic Anhydride—1200 tonnes p.a—(NU)

Mr Anil Kumar Kapoor; D-1/26, Model Town, Delhi—(Sonepat-Haryana)—Sodium Chlorate—4,500 tonnes p.a—(NU)

M/s IDL Chemical Ltd; Kukatpalli, Hyderabad-18, Andhra Pradesh—(Hyderabad-Andhra Pradesh)—Explosives-30,000 tonnes after expn—(SE)

Mr M.C. Shah; 86-A, Marine Drive. Srinikaten, 1st Floor Bombay-2—(Backward Area—Gujarat)—Formaldehyde—9,000 tonnes p.a; Pentaerythritol—600 tonnes p.a; Formic Acid—200 tonnes p.a; Hexamethylene Tetramine—600 tonnes p.a—(NU)

Mr B.K. Bhagat; 174, Chittaranjan Avenue, Calcutta-7. —(Mathura-Uttar Pradesh)—Formaldehyde—9000 tonnes p.a: Pentaerythritol—1,500 tonnes p.a; Hexamine—3,000 tonnes p.a—(NU)

Dye-Stuffs

M/s Sahyadri Dyestuffs & Chemical Private Ltd; Mafatlal House, Backbay Reclamation, Bombay-20—(Backward Area—Madhya Pradesh)—Dimethylaniline—3,000 tonnes p.a. after expn—(NU/SE)

Drugs & Pharmaceuticals

M/s CIPLA; The Chemical. Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay-400008—(Byculla, Bombay, Maharashtra)—Cyclandelate—2 tonnes p.a—(NA)

M/s Themis Chemicals Ltd; Vapi Industrial Estate, Vapi Gujarat—(Vapi-Gujarat)—Indomethacin Capsules; Theminerron injection; Methyl Dopa tablets; Supercetin Dry Granules Ethionamide tablets; Proniacid tablets-Equal to 70% of the corresponding bulk drug capacity. Aquacycline injection—9.6 million vials p.a; Aquacycline—1,50,000 Bottles 60 ml each; Zauthinol Nicotinate tablets—12 millioh pa; Xanthio[n] Nicotinate injection—1.2 million vials—(NA)

Textiles

M/s International Art Embroiders; Kandla Free Trade Zo[ne] Gandhidham (Kutch)—(Kandla Free Trade Zone)—Embr[oi]dery on all sort of cloth in shape of saries, dresses, et[c] 3,45,000 yards after expn—(SE)

M/s Navinchandra Popatlal Kapadia; 219, Phirozesh[ah] Mehta Road, Vile Parle, Bombay-57—(Kandla Free Tra[de] Zone)—Textile Cloth—2,80,00,000 meters p.a—(NU)

M/s Amitabh Taxtile Mills; Premnagar, Dehradun-24800[1] (Kandla Free Trade Zoue)—Textile Cloth—67,78,880 met[ers] p.a—(NU)

Mr Narshidas Ranchodas, Thakral; M/s Jeevan Produc[ts] G.P.Industrial Estate, P.O. Chhani, Distt Baroda, Gujarat (Himachal Pradesh)—Tufted Carpet/Carpet Yarn—2.5 mill —(NU)

M/s Marathawada Development Corporation Ltd; Adal Rd, Aurangabad, Maharashtra—(Bhir-Maharashtra)—Cott[on] Yarn—25,000 spindles p.a—(NU)

M/s Transport Corporation of India Ltd; "Transpo[rt] House", 57-58, 2nd Cross, Kalasipalayam New Extensio[n] Bangalore—2—(Hubli, Dharwar-Karnataka)—Processing Textiles Cotton/Art Silk—620 lakh metres Yarn Dyeing—6 tonnes p.a—(NU)

M/s Haryana State Industrial Development Corpn Lt[d] SCO No 4 & 5, Sector-17, Chandigarh—(Bhiwani, Haryana) —Cotton Cloth—300 looms—(NU)

M/s Rajasthan Wool Inds; Goal Mansion, Bomji St, Bom bay—(Jaipur—Rajasthan)—Paper Makers Felts—250 tonn[es] p.a—(NU)

M/s Assam Industrial Development Corpn Ltd: Kannacha Road, Silpukhuri, Gauhati-3—(Kamrup-Assam)—Cotton Yar[n] 26,000 spindles p.a—(NU)

M/s Selvi Textiles (Pvt) Ltd; 112, Dhali Road, Udamclpe Coimbatore, Tamil Nadu—(Pedapanpatti, Coimbatore, Tam[il] Nadu)—Cotton Yarn—12,000 spindles after expn—(SE)

M/s National Textile Corpn Ltd; 8th Floor, Surya Kira[n] Building, 19, Kasturba Gandhi Marg. New Delhi—(Davnager —Karnataka)—Cotton Yarn—12,000 spindles p.a; *Afte[r] expansion*—25,000 spindles p.a—(SE)

Paper and Pulp (including Paper Products)

M/s Prime Dev. Corpn; 14, Jaisav Piace, 5008, Sirkiwalan Delhi-6—(Gwalior-Madhya Pradesh)—Writing and Printin[g] Paper—10,000 tonnes—(NU)

Mr. K.J. Jayarama Holla: Netrawathi Building, 2nd Floor Balmatta, Managalore-1—(South Kanara-Karnataka)—Packing, Wrapping, Corrugating, Writing and Printing Paper—3,000 tonnes—(NU)

Mr. Ajay Kumar Rungta; 225-D Acharya Jagdish Chandr[a] Bose Road, Calcutta-20—(Kalyani, Distt Nadia West Bengal)—Wrapping, Packing and Kraft Paper—6,000 tonnes—(NU)

Mr. Arvind Nath Seth; Shanti Niketan, Civil Lines Meerut,—(Bulandshahr-Uttar Pradesh)—Corrugating Medi[um] and Liner Paper—4,500 tonnes—(NU)

Mr. Girdhari Lal Sharma; 29, Gulem Sarai, Allahabad (UP)—(Unnao-Rai Barelli-Uttar Pradesh)—Corrugating Medi[um] and Liner—6,000 tonnes—(NU)

Mr. Ajit Herwadkar; 1773, Anand Niwas, Kekkar Bagh Ravivar Peth, Belgaum (Karnataka)—(Belgaum-Karnataka)—Writing, Packing, Printing & Corrugating Paper (Board no[t] permitted)—6,000 tonnes—(NU)

M/s Vardham Spng. & Genl. Mills Ltd; Chandigarh Road Post Box No 105, Ludhiana—(Tehri Garhwal—Uttar Pradesh) —Speciality Paper—6,000 tonnes—(NU)

Mr. B. L. N. Sastry: 128, North Avenue, New Delhi—

akhapatnam-Andhra Pradesh)—Printing, Writing and t Paper—3,000 tonnes

M/s Ram Parkash V. Bubna; C/o Nav Bharat Machine Engg. Co, 6, Nagdesh Cross Lane, Bombay-6—(Ratnagiri-arashtra)—Writing and Printing Paper—3,000 tonnes—J)

M/s R. K. Agencies Ltd.; 23-A, Netaji Subhash Rd, Cal-a-1—(Santhaldih-Purulia-West Bengal)—Writing and Print-Paper—6,000 tonnes—(NU)

Mr. H. S. Kumbhat; A. T. Road, Gauhati-1—(Burnihat-ghalaya)—Writing and Printing Paper—3,000 tonnes—J)

Mr. S. Lall; 1/4E, Jhandewalan, Link Road, New hi-55—(Rewa-Madhya Pradesh)—Wrapping and Packing per—6,000 tonnes.

Fermentation Industries

M/s Sakthi Sugars Ltd.; 72, Sengupta Street, Ramnagar, imbatore—(Coimbatore-Tamilnadu)—Industrial Alchol—00 Kilo litres—(SE)

Food Processing Industries

M/s Andhra Pradesh Child Nutrition Council; Ready to t Food Processing Factory, Nacharam Indl. Estate, Nacha-m Hyderabad—(Andhra Pradesh)—Sev or Murki (High Pro-n Food)—7,000 tonnes—(NU)

M/s Manipur Janata Flour Mills; Singjamei, China athak, Imphal (Imphal-Manipur)—Flour (Atta, Maida and ji)—36,000 tonnes only—(NU)

M/s The Punjab State Co-op Supply & Mktg. Federation d.; P. Box No. 67, Sector 17-E, Chandigarh—(Nawan-allundur-Punjab)—Maize Starch and (corresponding produc-on of by-products such as Cattle Feed Bran, Steep Liquor and erm Oil)—21,900 tonnes—(NU)

Vegetable Oils and Vanaspati

M/s Jayalakshmi Cotton & Oil Products Pvt. Ltd.; Perce-nerla, Guntur Andhra Pradesh—(Guntur-Andhra Pradesh)—otton Seed Oil—30,000 tonnes (in terms of Cotton Seed)—SE)

Mr. A. B. Subba Raja; Partner, Barathy Cotton Mills, Rajapalayam, Ramnad Distt. T. N.—(Srivilliputhur-Ramnad Tamil Nadu)—Cotton Seed Oil—7,500 tonnes (on the basis of Cotton Seed)—(NU)

Leather, Leather Goods and Pickers

M/s Bombay Footwear (P) Ltd.; Deonar, Bombay—(Bom-bay-Maharashtra)—Leather Footwear etc.—1,56,000 pairs—SE)

M/s Bihar State Leather Industries Dev. Corpn. Ltd.; Patna —(Samastipur-Bihar)—Finished Chrome Upper Leather—36 lakh sq. ft. (NU)

M/s Bihar State Leather Industries Development Corpora-tion (P) Ltd.; (Patna-Bihar)—Finished Chrome Upper Leather—36 lakhs square feet—(NU)

Ceramics

M/s Machine Works (International) Pvt. Ltd.; 1, Auckland Place, Calcutta-17—(Bhubuneshwar-Orissa)—Conveyor and Transmission Belting—375 tonnes—(NU)

Cement and Gypsum Products

Mr. Harnam Singh Vijan; Plot No. 47, Road; No. 3, Sindhi Society, Chembur, Bombay-71—(Dohad-Panchmahal-Gujarat) —Portland Cement—2,00,000 tonnes—(NU)

M/s Meghalaya Industrial Development Corporation Ltd.; Room No. 413, Additional Civil Secretariat Building, Shillong-1—(Lumshong-Jaintia Hills Meghalaya)—Cement—2,00,000 tonnes—(NU)

M/s Asian Asbestos Cement Industries Ltd.; Mani Building, 40-Anna Salai Road, Tiruchirapalli-3—(Tiruchirapalli-Tamil-Nadu)—Asbestos Roofing and Plain Sheets—36,000 tonnes—(NU)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/s Madura Mills Ltd; Madurai, —to Tamil Nadu to—M/s Madura Coats Ltd; Madura, Tamil Nadu.

From M/s Gajra Gears (P) Ltd; Bombay.—to—M/s Gajra Gears (P) Ltd; Bombay.

From Mr Arun Kumar Khemka, Calcutta-1—to—to M/s Universal Paper Mills Ltd; 4, Govt. Place (North), Calcutta.

From M/s U.P. State Textile Corporation Ltd; Kanpur—to—M/s Uttar Pradesh State Spinning Mills Co. (No. 1) Ltd; Kanpur.

From Shree Durga Cotton Mills. Pros: Shree Durga Cotton Mills (Kadi) Pvt Ltd; Bombay—to—M/s Navjyot Mills Ltd: Kadi (North) Gujarat.

From M/s Vasant Industrial & Engineering Works, Bombay—to—M/s Gujarat Machinery Manufacturers Ltd; Bombay.

From Mr G. Anjaniah, Guntakal, Andhra Pradesh—to—M/s Tadpatri Cement Ltd.

From Mr M.L. Dalmia, Herald House, 2nd Floor, 5-A, Bahadurshah Zafar Marg, New Delhi—to—M/s Alwar Textiles Ltd.

From Sri Lakshminarayana Textiles Private Ltd—to—Sri Gopalkrishna Mills Private Limited.

Licences, Registration Certificates, Revoked Cancelled or Surrendered

(Information pertains to particular licences only)

M/s Raunaq & Co Pvt Ltd; B-82, Himalaya House, Kasturba Gandhi Marg, New Delhi-1—Galvanised, Malleable Iron Pipe Fittings.—(Cancelled).

M/s Scindia Workshop Ltd; "Scindia House", Narottam Morajee Marg, Bombay-400001—Solvent Extraction Plant.—(Cancelled).

M/s The Palakol Co-Operative Agricultural & Industrial Society. Ltd; West Godavari—Sugar. (Dormant)

M/s The Straw Paper Mills of India; Jungs Corner, 45. Regal Buildings, New Delhi—Straw Paper & Liner Paper.—(Revoked).

Letters of Intent Cancelled, Lapsed or Revoked

(Information pertains to particular letters of intent only)

M/s Mehta Nihon Autocrafts, Nagarjuna Sagar Road, Kusumnagar, Hyderabad—Motor-Cycles & Scooterettees.—(Lapsed)

M/s New Bemco Engg. Products Ltd: Udyambag Industrial Estate, Khanpur Road, Belgaum—Hydraulic Equipment.—(Lapsed).

M/s Indian Carbide Company; B-6/74, Safdarjung Enclave, New Delhi—Calcium Carbide.—(Lapsed).

M/s Hathwa Automobile Ltd; Hathwa House, Patna-1—Scooters.—(Lapsed).

M/s Rajdhani Glass Mfg. Industries; 881, East Park, Road Karol Bagh, New Delhi—Figured and Wires Glass.—(Lapsed.)

Mr S. C. Paul, 6-B, Bondel Road, Calcutta-19—Cold Rolled Steel Strips.—(Cancelled)

M/s Janta Steel & Metal Co-operative Society Ltd; 5948, Ballimaran, Delhi—Steel Wires.—(Cancelled)

Hindustan Lever Limited

Summary of the speech delivered by Mr. T. Thomas, Chairman, at the Annual General Meeting of the Company held in Bombay on June 20, 1975.

DISTRIBUTION OF ESSENTIAL COMMODITIES

INTRODUCTION

In the recent past there has been a growing awareness in our country of the need for equitable distribution of essential commodities and this has now been aptly adopted as a national objective. Hindustan Lever has built up one of the largest and most efficient national distribution systems and I thought it would be relevant and useful to share our experience and formulate some views on the distribution of consumer products in our country.

I IMPORTANCE OF DISTRIBUTION FUNCTION

It is customary to refer to the distribution system as "trading" which, in our country, does not command the same glamour as "manufacturing" and "technology." Yet an efficient distribution system is very important especially in a marginal economy as our Government and people, in general, have realised in times of shortage. This function is important for the following reasons:—

1. Delivery of Progress to the Consumer:—The distribution system constitutes the vehicle that delivers the fruits of progress to the people at large. It also acts as a leveller in spreading the benefits of progress to the less privileged sections of the population.

2. Significant Value Added:—The distribution system creates "value added" to almost all products. The value added in distribution in the case of several consumer articles is significant as compared to value added during manufacture.

3. Employment:--For every five persons engaged in actual manufacture, there are another four engaged in distribution. A noteworthy feature here is that employment in distribution does not require a high degree of education or substantial capital. Such opportunities for employment should therefore be maximised in a country like India where capital is scarce and education is limited.

4. Stimulation of Saving & Investment:—Because of its widespread nature and the variety of scales on which the network can be operated, the distribution function attracts a large number of investors from the village shopkeeper to the large distribution companies.

5. Collection of Taxes:—It is a very effective channel for the collection of indirect taxes such as excise duties, sales tax, etc. on which the Govt. are relying increasingly.

II WORKING OF DISTRIBUTION SYSTEM & ITS ECONOMICS

1. The System!—It is a chain of activities linking the producer to the consumer. The essential elements consist of: (a) the capital invested by the trade at each stage; (b) the risk in giving credit; (c) the margins earned; (d) the service it provides ultimately to the consumer and producer, and (e) the innovative skills employed by the trade. To obtain a fuller appreciation of the working of this system, let us examine in depth the distribution of the most essential article, viz. foodgrains.

2. Distribution of Foodgrains in Cities :—*Organisation*: Distribution of foodgrains in urban areas represents one of the best examples of the complementary existence of the private trade and Government agencies. In Greater Bombay, for example, the rationing system coveres a population of 8.4 million and provides specified quantities of foodgrains at uniform prices fixed by Government. There are 2100 licensed ration shops which distribute over 0.7 million tonnes of grains per annum against rations specified on about 2 million cards.

Economics: The economics of a typical ration shop having 7500 units registered with it may be summarised as follows—On a turnover of Rs 48,000/month, the commission/income is about Rs 1,370; therefore the gross margin is 2.8 per cent. The expenses of operating the shop would amount to Rs. 900 while investment required was Rs 21,000. The return on capital (Rs 1370 less Rs 900=Rs 470/month) is therefore 27 per cent before tax on investment. The following interesting features of this trading activity may be noted.

(a) Although return on capital appears satisfactory as a percentage, the absolute amount of Rs 470/month is not significant enough and less than what even a semi-skilled factory worker will earn in Bombay.

(b) The retailer is therefore forced supplement this come by exten his trade to o 'Kirana' items.

(c) For a capital inv ment of only 21,000 such a re outlet provides ployment for th persons.

(d) The retailer can o rate on the incredi low gross margin 2.8 per cent and margin of just un 1 per cent of sa value because he able to turn arou stocks about 24 tin a year.

(e) The retailer does normally extend c dit . for foodgra rations.

3. Distribution of oth Essential Commodities: There are some items li textiles and sugar which ha their own characteristic d tribution system, but m items (vanaspati, match tea, soap, cigarettes, pharm ceuticals, etc.) are distribu ed through the norm wholesale and retail trad The terms of trade, i volvement of the manufa turer in actual distributi and sophistication of outle may vary according to pr ducts and manufacturers, b ultimately all of them a competing for the same cap tal and skills available in th trade and therefore a mea sure of competitive terms trade has been evolved.

4. Marketing Support fo the Distribution System :- The Distribution system fo most consumer produc rests on marketing suppo provided by the manufacture It varies according to th economics of manufacturin and distributing the product On a fast-selling product, th retail trade may be happ with a gross margin of per cent; but if the pro duct takes longer to mov out of the retailer's shops t the consumer for lack c marketing and distributio

rt, the investment in b; the trade would be and therefore the n charged by the retailer l also go up. Ultimately consumer pays for that margin. Therefore, when manufacturer provides eting and distribution ort and thereby enables rade to reduce the stock -around period, the con- er is the gainer.

An essential ingredient in keting is the institution rand names. In our coun- there is a small, but al and influential section ch thinks that brand nes are unnecessary; but y forget that brand names used even in the Soviet ion and other socialist untries who insist on buy- from India those brands rough which the manufac- rer's guarantee is conveyed their consumers. For ins- nce. our own detergent wder is sold in Russia as branded product, and our ussian customer wants the ame printed in Russian for e consumer to identify our roduct which incidentally is eported to sell out very st in Russia because of the uality standard which the ussian consumer has by ow associated with our roduct. It is also worth xamining the other common dea that international brand ames enjoy certain ad- vantages over local brand names. First of all, the vast majority of the Indian public is cut off from any familiarity with international names. On the other hand wherever adequate marketing inputs have been made local brand names like Amul, Usha, Dalda. Hamam. Hima, Godrej, Vira, Charminar, Postman, etc. have flouri- shed because of the consu- mer goodwill and confidence built up by their manufac- turers. The real distinction therefore is not between in- ternational and domestic brand names, but in the degree of marketing support extended to the products.

5, **Consumer Protection & Regulation of Trade Prac- tices**:—In order to protect the interests of the consumer, there are several agencies which monitor trade practices instituted by manufacturers of consumer goods. The Con- sumer Guidance Society has done very useful service in drawing the attention of manufacturers and the pub- lic to the deficiencies of the distribution system. We also have militant consu- mer organisations who keep a vigil on distribution of scarce commodities, especially during times of shortage. In addi- tion, there are Governmental and quasi-judicial bodies like Dept. of Civil Supplies. the Weights & Measures Dept., Monopolies Commission, etc. all of whom are concerned with regulating the behaviour of the manufacturers and the wholesale trade.

The problem of disciplin- ing the retail trade is however more complex because of numbers involved and the remoteness. We have been able to overcome this partial- ly in times of shortage, by the issue of cards stating the quantity each retailer received of the scarce item, and by sending our staff (in cognito in some cases) to the markets to check on malpractices. The only remedy however is to ensure adequate supplies, and this brings us to the current debate on a national distribution system for essen- tial articles.

III. OPTIONS FOR DISTRIBUTION OF ESSENTIAL ARTICLES

In considering the op- tions, we have to bear in mind a few very important factors:

(a) The malpractices and deficiencies of 1972/74 were a result of shor- tages in supplies and are not inherent fea- tures of the existing distribution system. This has been proved by the fact that with restoration of supplies of such products as soaps, vanaspati, cars, tyres, etc., the mal- practices have dis- appeared. Therefore, the real remedy is to increase supplies so that distribution be- comes a competitive activity.

(b) In designing a distri- bution system, we should be clear about the target group which it is aimed for. In most cases the real concern is about the urban sector (towns above 5000 population) which constitutes about 20 percent of the total population.

(c) The existing Indian trade channels provide one of the most effi- cient and economical distribution systems in the world because they are able to ope- rate on very low margins.

Therefore, the options open for distribution of essential commodities to the urban population are as follows:

1. **State Emporia**—Apart from high overhead costs of operating such emporia there are problems with regard to service, and control on inventory & finance. Besides, they cater only to a small number of consumers. State emporia utilise, in urban areas public finance which has been collected for the benefit of the less affluent in non-urban areas. Therefore, while state emporia do exist in metropoli- tan cities, they are not really suitable for distribution of essen- tial articles.

2. **Consumer Co-operatives**— At the outset, I would like to clarify that this discussion will apply only to co-operatives in the field of consumer goods and not to other types of co- operatives which have a remarkable record of success like the Kaira District Co- operative for milk. The strengths and weaknesses of the consumer co-operative distribution system may be summarised as follows:

Strengths

(a) Consumer cooperatives enjoy a high level of confidence by the consumers who believe rightly or wrongly, that co-operatives will not indulge in mal- practices or in charg- ing unofficial premia during times of shortages.

(b) Because of their re- latively larger size and organisation, cooperatives are able to provide certain services like cleaning and packaging of cereals and pulses which are valued by the consumer.

(c) Cooperatives have access to cheap money which they borrow at comparatively low interest rates.

(d) Cooperatives enjoy a measure of political patronage which helps them in availability of products.

Weaknesses

(a) High overheads consti- tute the largest burden when they have to compete with the normal trade in a situation of free supplies.

(b) Deficiency in financial management—This is

a serious handicap when they have to compete with retailers who operate with lower margins.

(c) Customer service is somewhat impersonal as compared to the private trade.

(d) Lack of flexibility in pricing because of their tie-up with the bureaucracy of the state makes it difficult for them to compete in times of plenty.

(e) Their access to cheap Government money with very little responsibility for risks is yet another weakness.

It may be concluded that cooperatives have a definite place in the urban markets, perhaps more as a contingent channel of distribution during periods of shortages or of items in short supply.

3. Retail & Wholesale Trade The third option is to use the traditional channels of trade and attempt to correct deficiencies. Your company has used these trade channels over the decades with great success and satisfaction. Our products move from our factories to about 40 depots located in different parts of the country. These depots serve as the point of storage and distribution to our Redistribution Stockists RS's who can be found in almost all medium and large cities in India. We have almost 4,000 such RS's who generally deal in the full range of our products. Through them,, our products reach about 300,000 retailers who are the ultimate point of contact with the consumer. It would be presumptuous to say that these traditional channels of trade are without any weaknesses. Their biggest weaknsses is the behaviour during shortages. But we have found from experience that there is considerable scope for disciplining them by manufacturers who could nominate and declare selected outlets for distribution of the scarce item under advice to the Civil Supplies Dept. which could monitor the trade. It is far simpler and less expensive to improve this system than to attempt its replacement.

IV MODERNISATION OF DISTRIBUTION SYSTEM

In many western countries, the traditional wholesale and retail trade are being displaced by chain stores and super markets, but this is unlikely to happen in India for two reasons—it will reduce avenues for employment as compared to our traditional channels, and it will not cater to lower income groups who constitute the majority of our population.

It is however possible to improve the present system by providing vocational training in distribution and evolving a simpler system for collection of taxes.

1. Vocational Training—One step towards modernisation would be to provide vocational training in distribution, that is retail and wholesale trade. Just as we teach our young men many other trades it is advantageous to teach them formally such aspects of distribution as inventory management, cost of capital, minimising the use of capital, pricing, consumer attitudes and service, product quality determination, etc. Some of our universities may consider introducing such courses.

2. Simpler System for Distribution Taxes—Another innovation that could improve the ethics of the trade would be to evolve a simpler system of taxation arising from distri bution. At present, in addition to Excise duty collected at the manufacturer's end, there is octroi, central sales tax, state sales tax, multi-point sales tax, etc. which are all separately to be collected. All these lead to not only unnecessary expense on bureaucracy but also open out vistas for corruption and malpractices. It is therefore urged that the Central Government should appoint a National Commission on Distribution Taxes and institute a simpler and standardised system for levying and sharing of such taxes among the states.

V RESPONSIBILITY OF MANUFACTURERS

These may be summarised as follows—

1. **Equitable Distribution**—This is particularly important in times of shortage.
2. **Penetration into Rural Markets**—Instead of continuing only in a fixed circuit of markets, manufacturers should spread the distribution network further for essential articles as the years go by.
3. **Vigilance in Pricing**—Through retailer stock cards and auditing of retail prices.
4. **Product Quality**—Delivery of an assured quality is the most vital responsibility and for this the marketing of branded products is the most suitable support to the distribution system.
5. **Training for the trade**—We started courses for wholesalers in specialised products like cattle and poultry feed which proved v effective and theref belive that train could contribute to more efficient dist bution system.
6. **Ensuring Adequate I turn for the Trade**— is the manufacture responsibility to e sure that the whol sale and retail tra are not denied adequate return f their efforts. If no they will either gi up trading in the pr ducts or indulge malpractices.
7. **Innovation in Distrib tion**—Innovations i distribution are als a responsibility of th manufacturer.

CONCLUSION

In an economy like ours where marginal shortages ca lead to disproportionate dis tortions in prices, a depend able and efficient distributio system is essential. Fortu nately, we have in our tradin communities in all regions o the country a very intelligent hardworking and efficien resource to serve this purpose provided supplies are adequate and regular. There are several steps which the manufacturers and Govt. could take, as outlined above, to make the existing distribution system even more efficient and to improve its reliability and honesty in times of shortage. This would perhaps be a more appropriate solution to our problems rather than building up alternatives which may not only cost more but suffer from other disadvantages.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting. This is only an abridged version of the speech delivered by the Chairman. Those interested in the full text of the speech may write for a free copy to the Public Relations Department of the Company.

RADE DEVELOPMENT AUTHORITY

Speech by Shri Y. T. Shah, Chairman,

At the fifth Annual General Meeting held at Bank of Baroda building 16, Parliament Street, New Delhi-110001, on June 23, 1975.

s and Gentlemen,

t gives me great pleasure tending a warm welcome ou to the Fifth Annual eral Meeting of the Trade elopment Authority for the ending 31st March, 1975. Annual Report together the Accounts and the itor's Report have already n placed before you.

Let me being with the deve- ments in the international ne. In recent years, several rnational problems—like netary disequilibrium origi- ing from the fluctuating ities, oil crisis on account a sudden spurt in crude ces and the resulting 'petro- lar overhang' and the world- le inflation—have affected h the developing and the veloped economies. Conse- ent on these developments, e performance of the econo- es of many countries gene- lly deteriorated resulting the stagnation of output, ing unemployment, accelera- ng inflation and massive rrent account imbalances. ne real output of the major dustrial countries had declined arginally last year in contrast the increase registered in e previous years. There was, owever, considerable varia- on in the economic perfor- ance of these major econo- nies; the decline was parti- ularly pronounced in the US nd Japan. Besides, there was declining trend in the growth f consumer expenditure in eal terms in many countries nd the investment climate lso turned less favourable on ccount of discouraging econo- nic prospects and rapidly esca- ating costs. The only redeem- ng feature was that export lemand was fairly well sus- ained in 1974. The total world rade increased by about 45 per cent in nominal terms over the 1973 level. In real terms, however, the growth was no more than 5 per cent which fell short of the expected growth of 6-8 per cent.

All these developments have necessitated a readjustment in the domestic and external policies of many countries. Consequently, greater attention is now being paid to investments in oil exploration, discovery of new sources of energy and the adoption of new modes of production more suited to the resource availability. As these fundamental adjustments of resource utilisation would necessarily take considerable time to provide the desired results, attempts are being made, in the short run, to bring about global equilibrium on current account by restructuring export trade designed to cover the trade gap even at the expense of reduced domestic consumption.

These developments had their impact on the economy of oil-importing developing countries as well. Their balance of payments position has worsened on account of the high prices of petroleum imports; the higher prices of manufactured products have further inflated their import bill; and the prospects of increased aid from the developed countries are less bright. Consequent on their higher import bill, the trade deficit of developing countries has almost doubled during 1974. However the impact of this deficit was offset to some extent by the accommodation received from the oil-exporting countries, the IMF and the World Bank.

Coming to the prospects for 1975, it is very difficult, in view of the extreme complexity of the present situation, to clearly foresee the shape the newly emerging international economic order will take in the years ahead. The volume of world trade in 1975 might even register an absolute decline if the developed countries continue to be afflicted by stagnant production and investment. Fortunately, attempts have been made to control the double-digit inflation in several countries; monetary disequilibrium does not pose an immediate threat to international liquidity; oil surpluses in 1974 have been estimated to be much smaller; and there is promise of recovery, however, slow and partial, in the economies of some countries towards the end of 1975. All these provide a silver lining in the ambient gloom.

Turning to the Indian economic scene, we find that the Indian economy is not insulated against these international developments; our balance-of-payments position has been greatly affected by the factors mentioned obove. Import of food, fuel and fertiliser roughly constitute about 50 per cent of our total import bill. Despite efforts to reduce the consumption of oil by domestic price-hikes, the import bill on account of this item is significantly large. Besides, the major Indian imports like food, oil and fertiliser have recorded substantially large price increases than the global average price rise of 12 per cent. The relatively higher price increase in our imports, coupled with the weightage of these items in our total imports, has contributed to the steep increase in our import bill which provisionally stands at Rs. 4348 crores for 1974-75.

The other side of the coin, viz., our export performance has been somewhat reassuring. Export figures for 1974-75 provisionally stand at a record level of Rs. 3253 crores which is 29 per cent higher than in 1973-74. Our two principal traditional items, viz., jute and tea have recorded substantial increases, the latter with a significant increase also in quantity terms. Important items like cotton textiles, engineering goods and handicrafts also fared well. The export performance of other traditional items such as cashew kernels, unmanufactured tobacco, coffee, pepper and mica showed similar improvement. However, the largest increase in export earnings was recorded by sugar owing to an escalation in international demand and a rapid spurt in the international prices. In general, this significant increase in exports has resulted more from higher unit value realisation as a result of the international commodity boom than from an increase in real terms.

The record increase of Rs. 770 crores in our exports should not afford any complacency as the trade deficit which stood at Rs. 438 crores during 1973-74 has risen to Rs 1095 crores for 1974-75. The trade deficits are likely to recur for some time as our import bill continues to rise; the prospects of foreign aid are not very bright; recessionary tendencies abroad may affect not only our exports but also the export price realisation; and the inflationary tendencies at home may jeopardise the competitive ability of cur exports. Another disturbing fact is that the share of Indian exports in total world exports is showing a declining trend. From 0.66 per cent in 1972 it has fallen to 0.63 per cent in 1973, and to roughly 0.55 per cent in 1974.

In this environment, our export outlook for 1975-76 has to be one of cautious optimism tempered with realism. Our oil imports are likely to further swell our import bill, though it may be partly offset by reduced food and fertilizer imports in 1975-76. While imports are, thus, likely to increase, the spurt in

exports achieved in 1974-75 may not be sustained during 1975-76; the commodities that principally accounted for higher unit value realisation are unlikely to command a similar position in the international market during 1975-76 as the commodity boom is already over. The international price of sugar has shown a sharp decline recently, and it is likely that the overseas demand may retreat consequent on the expected record world production of beet crop this year. Our jute exports would also be under strain. Exports of cotton textiles have been declining in the past few months.

In these circumstances, the performance of our export sector will be of crucial significance during 1975-76. On the one hand, our external receipts may not significantly increase since the international prices of many commodities are collapsing; our agricultural and industrial production is not growing as fast as it should; and there is an undercurrent of inflation in the economy. On the other hand, our external payments will increase as the cost of short-term accommodation has to be borne by us and our import bill on account of oil is likely to be large, leading to a widening of our trade gap.

All these point to the imperative need for a massive effort to augment exports in real terms and diversify the composition of our exports in the context of changing international demand and price situation. What we should aim at is a 10 to 12 per cent increase in the volume of exports rather than a mere increase in terms of value; this will be possible only if there is a fuller utilisation of capacity, attainment of optimum scale of operations and reduced cost of production. To this end, the Government have recently taken a number of measures to simulate export production. The Import Policy for 1975-76, as you are all aware, has been further liberalised; some innovations have been introduced to make it more effective and to ensure that export production does not suffer on account of indequate supply of essential inputs. The objective has been to secure higher capacity utilisation within the overall constraints on the economy.

In order that an integrated view is taken of the fresh policy-mix required for boosting the country's exports, a Cabinet Committee on Exports, as you are aware, has bee recently constituted with the Finance Minister as the Chairman and the Industry Minister and Commerce Minister as members.

The Cabinet Committee has already taken several decisions aimed at stepping up exports of engineering goods. The decisions taken *inter alia*, include measures to enhance production capacity to generate exportable surpluses. It has also been decided that, to the extent possible within the resources available, the exporter will be provided with the inputs needed including raw materials, power, export finance, on a priority basis. One of the most significant concessions to be announced relates to the exemption from import duty on raw materials in the case of advance licences. These and other measures, it is hoped, would lead to the harnessing of unutilised capacity for exports and help doubling the exports of engineering goods from Rs 300 crores to Rs 600 crores by the end of Fifth Five Year Plan.

These domestic policies apart, India has taken several measures to forge closer economic and commercial relations with other countries. We continue to have duty-free access to the UK and Denmark for four jute and coir products for 1975, and the same treatment will be sought for the next year. Negotiations are in progress for further relaxation in tariffs and quotas for items included in the sensitive list under GSP. Economic agreements of great significance have been concluded with Iran, Iraq and other countries of West Asia. The formation of the Association of Iron-ore Exporting Countries (AIOEC) under the coordinating role of India is a very significant step in the field of commodity-trade. This should help in improving the terms of trade of Iron-ore Exporting Countries, in developing the indigenous processing of ore and ensuring the healthy growth of industry.

In adopting the series of measures mentioned earlier, the primary objective of the Government has been to make exports an attractive proposition. I must hasten to add that our efforts in this direction can be fruitful only if they are matched by a corresponding resolve on the part of the manufacturer-exporters to expand and diversify their production. With more steel available now than earlier and with a liberalisation in import policy and the anticipated better supply of power and coal, it is necessary for the Industry to achieve maximum utilisation of the production capacities already set up, steadfastly pursue market exploration and research and inculcate the ability to adapt and diversify production.

You would have noted from the Annual Report of the TDA that in the selected product range and the selected target markets, TDA's clients have been able to achieve an export level of Rs 64.86 crores as against Rs. 45.3 crores during 1973-74. Though relatively small in the context of the country's total exports, which stood at Rs. 3253 crores, the performance of TDA's clients has been significant in many ways. First, 53 per cent of these exports have been made by the small scale units and 36 per cent by medium scale units. Secondly, the products exported, such as electronics, bicycles and components, scientific instruments, etc. represent a new and sophisticated line of export even amongst non traditional items. Thirdly, the markets, to which these products were exported, are extremely difficult to penetrate in the view of the level of sophistication demanded and competitions faced fro[m] developed countries.

I would not however, [eva]luate the performance o[f] TDA solely in quantit[ative] terms of exports effected [or] targets fixed. TDA's [...] strategy runs in three d[irec]tions. In the short-run, [...] to focus on the export [mar]keting of manufactured [pro]ducts that are suitable [for] sale in selected coun[tries] with little or no adjustr[ment] on the supply side. The [in]termediate strategy is [con]cerned with the mobilisa[tion] of existing manufactu[ring] facilities for product a[dap]tation to suit the requ[ire]ments of overseas mark[ets]. The emphasis is on [...] adaptation of existing [pro]ducts rather than on crea[tion] of new products. The m[ain] thrust in this field is to [en]able TDA's clients to [pro]duce the goods which [...] consumer needs by pro[vid]ing technical know-how, [im]porting samples, drawi[ngs] and specifications, borrow[ing] the services of product s[pe]cialists and making availa[ble] a host of other facilities [in]volved in product adap[ta]tion.

The long term export st[ra]tegy is directed towards [...] creation of new export p[ro]ducts that ordinarily requ[ire] investment in new manuf[ac]turing plants or the exp[an]sion of existing plants. [...] result of this is the establi[sh]ment of entirely new ind[us]tries. TDA's efforts [...] developing exports simu[lta]neously on these lines h[ave] been quite significant. O[ver] a period of five years, it [...] altogether undertaken [...] projects, which invol[ve] creation and expansion [...] capacity with a domin[ant] export-orientation. Some [...] the items taken up for p[ro]duction such as luxury yac[hts] and some categories of el[ec]tronic instruments and co[m]ponents are new to [...] country. The fall-out effe[ct] in most of the other ca[ses] would also be either n[ew] technology or increased [so]phistication and productivi[ty]. Most of the 20 cases, tak[...]

ring 1974-75 for crea-nd expansion of export ity, make an interesting ng. Four of these relate e transfer of working s/toolings from West any, Belgium and Aus- for the production and rt of industrial relays, le chain wheels and ks, readymade garments sub-fractional HP motors. r cases, in which subs-ial export capacities will created, are electronic assemblies, plain/metallis- plastic film capacitors, y steel castings and ings, semi-conductor de-s, silver mica capacitors, on knitwears, high tensile eners, TV picture tubes, hode ray tubes and bicycle ins.

TDA was also instrumen- in obtaining supplies—ough what is known as vance Licensing Procedure of imported raw materials rth Rs. 11.39 crores, which re required for the execu-n of export orders amonut-g to Rs. 27.3 crores. The oduct list here again is in-resting, for example, FC dar, thermal protectors, rgical blades, FHP motors, lver mica plates and capa-tors, automobile electrical arts, electronic instruments, alvanised and high tensile dustrial fasteners and auto-otive gears.

Considering the impor-ance of product adaptation n export marketing efforts, TDA, out of its own free oreign exchange allocation ecured samples of auto-mobile ancillaries, consumer electronics, toys and dolls, readymade garments, handi-crafts, furniture, leather goods, and imitation jewel-lery. Besides, tools and testing instruments were ob-tained for consumer electronics and equipment, automobile ancillaries, industrial fasteners and sports goods. Apart from samples and tools, cri-tical materials required for initial production were also procured. These related to the manufacture of FHP motors and thermal protec-tors. While the significance of product adaptation lies in the long run, you will be glad to know that many of the afore-mentioned pro-ducts were successfully adapted and trial orders were obtained. In the field of bicycles, TDA played an important role in the development and export of several new items during 1974-75. The most striking achievement in this area was the first containerised ship-ment of 900 bicycles from India to the USA by a leading client. The bicycles were of 10-speed racing model and 10-speed, 5-speed, and 3-speed touring models. This marks India's entry into the intensely competitive racing bicycle mar-ket in the USA which has so far been dominated by the European and Japanese bicycle manufacturers. What is even more interesting and augurs well for the future is that the indigenous manufacture of multi-speed freewheels, which are fitted on to 10-speed and 5-speed bicycles, has commenced and a stage reached when these have started moving to markets like West Germany for the first time. Other new items, which have been developed, are coaster brake hubs and light metal caliper brakes. The quality of these products has been so impressive that overseas buyers have shown interest in booking the en-tire production on a long-term basis. With the efforts of TDA, India will also be exporting, for the first time, substantial numbers of mani-pulated tubing and comple-tely finished frames to West Germany on a long-term basis.

Another area, in which TDA's efforts towards crea-tion and expansion of export production capacity have been very fruitful, relates to silver mica plates. With TDA's assistance, a unit (second in the country) has been set up to produce 200 million pieces of silver mica plates per annum. The client has already commenced exports. The manufacture and export of fibre glass yacht is also ex-pected to commence shortly.

An area, in which TDA has made commendable efforts, relates to the establishment of export processing zones and free ports in the country, which would provide, both the Indian and foreign entre-preneurs, facilities for off-shore operations. While Santa Cruz Zone, which has already been established, is ear-marked for electronic production, other zones will be engaged in the production of a wide range of consumer and indus-trial products. TDA's pro-posals for the establishment of multi-product export pro-cessing zone at Dum Dum and a Readymade Garments Export Processing Zone at Gurgaon are under Govern-ment's consideration. Pro-jects for similar zones else-where in the country are also likely to be taken up for study. The facilities that are being offered to the foreign entrepreneurs in these Zones are comparable to those provided elsewhere in the world. I am confident that, taking advantage of in-expensive labour available in abundance in India and many other infrastructural facilities, foreign entrepreneurs will set up collaborative ven-tures in these Zones.

It will not be out of place to make a mention here of a comprehensive report pre-pared by TDA on the techno-economic feasibility of setting up a free port at Andaman & Nicobar Islands.

While TDA's strategy de-pends primarily on the export promotion services in the field of industrial production, commercial aspects of export promotion continue to play a major role. Apart from a number of buyers' missions including Deparment Stores which were brought over by TDA and a large number of enquiries generated by TDA's foreign offices through per-sonal contacts. TDA followed a new marketing technique by organising a buyer-seller meet in London, which involved a detailed survey of both supply and demand potential, pro-duct testing and product ad-aptation. The results of this meet have been given in the Annual Report.

All these activities will be strengthened during the cur-rent year. Two buyer-seller meets have been planned for USA—one to be held in New York and the other in Dallas. As mentioned earlier, these Meets would have an element of intensive market survey and both short and long-term pro-grammes for product adapta-tion apart from the actual business contacts between buyers and sellers face-to-face.

I had mentioned last year that TDA is engaged in widen-ing its range of products to include items which have yet to find an access to TDA's target markets. You will be glad to know that three more products, namely, domestic electrical appliances, dry and storage batteries and diesel engines and components have been added to the TDA's product range. A few more promising items, which have a good potential in the target markets and need product adaptation and intensive mar-keting efforts, will be added during the current year.

As you are aware, TDA's target markets are all located in the developed countries. These being free market economy countries, one can-not normally expect any direct assistance from the Govern-ments of these countries in the promotion of exports. It is in this context that the signi-ficance of Commercial Deve-lopment Programmes, con-cluded with various West European countries on a bilateral basis, has to be ad-judged. Through these pro-grammes, the Governments undertake to provide a num-ber of inputs including finan-cial inputs in the promotion of exports from India. Apart from several market surveys that have been carried out under these programmes in various countries, the services of a number of experts from those countries have been made available to the Indian manufacturers with a view to bringing about appropriate

adaptation in the products to suit the foreign markets. While in the short-run, these programmes have contributed to the conclusion of export business and development of new lines of production, the long-term potential, both in terms of marketing tie-ups with original equipment manufacturers and export-oriented joint ventures, is even greater. These programmes are expected to acquire increasing momentum in the next few years.

I would like to make a special mention of the very interesting project undertaken by TDA, namely, Short-term Forecasting Project, which when fully refined, would be of considerable value to the Government in the formulation of various measures for expansion of exports. During the past few years, TDA has been experimenting with the methodology of the forecast and seeking to refine it to an extent that the margin of error, both in aggregate terms and for specific commodities, is reduced to the minimum. It is encouraging to find that though the project is new and involves a great deal of field work, TDA has made considerable progress in this direction and a stage has been reached when the forecasts could be given a limited circulation.

I have given you a broad indication of the major activities of TDA during 1974-75. You would, no doubt, refer to the Annual Report for a more detailed account of TDA's functioning. I am sure, you will agree with me that both in qualitative and quantitative terms, TD[A] performance during 1974[-75] has been quite satisfactor[y].

I must avail myself of t[he] opportunity to thank [the] clients for their cooperati[on] which has enabled the T[DA] to accomplish the tasks [set] before it. I have no dou[bt] that the new style of mark[et]ing and management, pract[is]ed by TDA, and the cl[ose] links forged with its enterpr[is]ing clients, would have [a] multi-pronged impact [on] India's export effort in t[he] coming years.

RECORDS AND STATISTICS

rends in India's oreign trade

CONTINUANCE of the owth trend in 1973-74, dia's export continued to pand during 1974-75, ac- rding to the annual report the ministry of Commerce. owever, the deficit in the lance of trade also tended rise sharply owing to a ster increase in the value imports. Exports at Rs 483 crores recorded in 973-74, meant an increase 26 per cent over the pre- ous year; but at the same me, imports at Rs 2921 ores showed a more pro- ounced rise of 56 per cent sulting in a deficit of Rs 38 crores against a surplus f Rs 103 crores in 1972-73. uring the first nine months f the year 1974-75 (April- ecember 1974) also there as larger expansion of im- orts (58 per cent) than of xports (58.5 per cent), hich resulted in an adverse alance of Rs 585 crores as ompared to a deficit of Rs 64 crores during the corres- onding nine months of 973-74. The trade gap is xpected to widen further in he remaining part of the ear.

Table I shows the balance f trade position from 1968-69 o 1974-75.

Exports

During the fourth five- ear Plan period, while the xports from India have been ising from year to year, the growth rate has been uneven varying from a low of 4.1 per ent in 1969-70 to as high as 26 per cent in 1973-74. On an average the exports during the fourth five-year Plan as a whole grew at a compound rate of nearly 12.8 per cent per annum, as against the target of annual rate of growth of seven per cent envisaged in the fourth five-year Plan.

The uptrend in exports has been maintained equally well during 1974-75, the first year of the fifth five-year Plan. During the first nine months (April-December) of 1974-75 exports at a provisional total of Rs 2343 crores were 38.5 per cent higher than the level reached in the corresponding period of the previous year.

A wide range of both traditional and non-traditional items participated in the overall growth of exports during 1973-74. Inspite of the fact that a number of products improved quantitatively, a large part of the increase in value of export was on account of higher unit value realisation as a result of general commodity boom in international market.

General Rise

The major increases in value terms were contributed by four items or groups of items viz. cotton textiles (mill made), oil cakes, handicrafts and engineering goods. The combined increase from these items amounted to Rs 313 crores, thereby representing nearly three-fifths of the aggregate increase of Rs 512 crores realised from India's overall exports during 1973-74. In the case of cotton textiles (mill made) the increase in exports was by Rs 113 crores (72 per cent) from Rs 157 crores in 1972-73 to Rs 270 crores in 1973-74. This increase was brought about by the favourable turn in world trade due to cotton textiles becoming more competitive than synthetic fibres. With the exception of yarn, all the other items of cotton manufactures shared the increase.

Readymade Cottons

Growth in exports of cotton apparel from Rs 29.9 crores in 1972-73 to Rs 63.7 crores during 1973-74 was quite spectacular and was indicative of substantial growth potential. A significant element in the direction of exports of this item was the emergence of Japan as one of the major buyers of our cotton textiles during 1973-74. The offtake by other important markets such as the UK and USA also witnessed a significant rise.

Large increase in the exports of oilcakes from Rs 74.8 crores in 1972-73 to Rs 170.6 crores in 1973-74, was owing to conditions of shortage in the world, which in turn, pushed the prices up to our advantage. The spurt in oilcakes was helped considerably by the restriction imposed by the USA on the export of soyabean meal and the non-availability of fish meal from Peru. The demand was particularly strong from the enlarged ECM as well as Japan.

Rise in exports of handicrafts was mainly due to Indian handicrafts becoming increasingly popular in overseas markets. From a value of Rs 81.7 crores in 1971-72, exports of handicrafts increased to Rs 119.7 crores in 1972-73 and Rs 164.1 crores in 1973-74. Pearls and precious stones alone account for nearly 65 per cent of the total exports of handicrafts. The increased demand for Indian gems and jewellery was mainly from markets such as USA, Belgium, Hong Kong and Japan. The procurement of raw materials like rough diamonds from overseas sources on steady basis continucs to be a problem. Exports of engineering goods showed a significant improvement which at Rs 201.3 crores during 1973-74 were higher by Rs 60.3 crores or nearly 43 per cent as compared to exports worth Rs 141 crores during 1972-73. This increase was recorded inspite of constraints in the supply of power and basic raw materials such as steel, pig iron, EC grade aluminium and copper, steep increase in freight rates due to energy crisis and inadequate cargo space etc.

The export performance in respect of other items like fish, sugar, spices, coffee, iron ore, artsilk fabrics, handloom, cotton piece goods, and chemicals was also signifi-

TABLE I

India's Balance of Trade

(Rs in crores)

Year	Imports (c.i.f.)	Exports (incld. re-exports)	Balance of trade
1968-69	1908.6	1357.9	—550.7
1969-70	1582.7	1413.3	—169.4
1970-71	1634.2	1535.2	— 99.0
1971-72	1824.5	1608.2	—216.3
1972-73	1867.4	1970.8	—103.4
1973-74	2920.9	2483.2	—437.7
1973-74 (April—December)	1855.0	1691.0	—164·0
*1974-75 (April—December)	2928.0	2343.0	—585.0

* Provisional

cant. The year 1973-74 witnessed a remarkable growth of exports of fish and fish preparations, both in terms of value add quantity. From a level of 34.7 thousand tonnes valued at Rs 54.5 crores during 1972-73 exports touched a record high of 46.9 thousand tonnes valued atRs 88.4 crores in 1973-74, showing an improvement of about 35 per cent in quantity and about 62 per cent in value. The unit value realisation increased by 20 per cent over 1972-73. The demand from Japan was particularly strong. Exports to USA also rose significantly.

Sugar Sweetens

Export of sugar assumed great importance due to buoyanincy world market. Export of sugar from India during 1973-74 amounted to 2.49 lakh tonnes valued at Rs 42.2 crores as against 1.02 lakh tonnes valued at is Rs 13.3 crores during 1972-73. The unit value realised during 1973-74 was Rs 1696 per tonne or about 30 per cent higher as compared to the preceding year. A significant feature during 1973-74 has been the emergence of oil countries as buyers of Indian sugar.

There was substantial increase in the exports of spices both due to larger volume of exports as well as higher unit value realisation. The total quantity of spices exports increased by 38 per cent to 61 thousand tonnes and the value of exports increased by over 88 per cent to Rs 54.9 crores. In the case of coffee, the reduction in world supply due to failure of Brazilian crop and the suspension of quota arrangements and economic controls by the International Coffee Organisation from first October 1, 1972, had an upward pull on its prices. The value of exports during 1973-74 at Rs 46 crores was higher by about 40 per cent, though the quantitative rise was only to the cxtent of 3.5 per cent.

The unit value realisation was nearly 35 per cent higher during 1973-74 over 1972-73. Inspite of a shortfall in rail movement and other difficulties, exports of iton ore during 1973-74 at a total of 23.7 million tonnes valued at Rs 132,8 crore showed a rise of 15.1 per cent in quantity, 21 per cent in value and to the extent of 52 per cent in unit value realisation as compared to the levels reached in 1972-73. Japan alone accounted for 81 per cent of the total value of exports of iron ore during 1973-74. The increase in exports was mostly due to larger off-take by Japan.

Commodities which showed a marked decline in exports in 1973-74 from the level reached in 1972-73 were mainly foodgrains, leather and leather manufactures, mica and cotton yarn. Foodgrains are not a sustainable item of exports and the supplies to Bangladesh which took place during 1972-73 had to be made under special circumstances; as such the decline in the exports during 1973-74, however, big, was not material. However, in the perspective, the rising trend in the exports of a wide range of items, the decline in the exports of a major traditional item like jute manufactures seems disturbing especially during a period when the prices of jute goods tended to become competitive vis-a-vis synthetic goods.

Shortfall in Jute

During 1973-74, exports of jute manufactures declined to Rs 227.3 crores from Rs 250 crores during 1972-73, thereby showing a decline of 9.1 per cent in value. Unlike other items, the unit value realisation also fell by 6.2 per cent. But this was primarily due to reduction in the export duty in the months of June and August, 1973 but the same was enhanced in the month of March, 1974 in view of the rising prices in the overseas markets.

The decline in the exports of jute manufactures during 1973-74 has been primarily attributed to two factors, viz., the 33 day long strike in the jute industry in January and February 1974 and persistent shortfall in the supply of power to the industry. The strike resulted in loss of production estimated at Rs 35 crores and exports worth Rs 25 crores were also lost. Among the major buyers, the decline was more pronounced in the case of the USSR, where exports dropped from Rs 53 crores in 1972-73 to Rs 32 crores in 1973-74. Exports to the USA were lower by Rs 5 crores from Rs 100 crores to Rs 95 crores.

Decline in Tea

Exports of tea have shown a continuous decline in the last two years. From a level of 207.4 million kg (valued at Rs 156.3 crores) in 1971-72, the quantum of tea exports declined to 193.2 million kg (valued at Rs 147.3 crores) in 1972-73 and 190.3 million kg. (valued at Rs 144.9 crores) in 1973-74. Exports during 1973-74 were lower by 2.9 million kg. (1.5 per cent) compared to 1972-73. The decline in terms of value was Rs 2.5 crores (1.7 per cent). The unit value was almost the same in both the periods. While the exports of leaf tea, the main type of tea being exported from India declined by Rs 3.4 crores to Rs 129.9 crores, the value of export of black tea in packets of upto 20 kg. increased from 0.4 million kgs valued at Rs 1.4 crores to 12.1 million kg valued to Rs 10.3 crores in 1973-74.

The shortfall in exports of tea was mainly on account of frequent strikes and go slow moves in warehouses and at Calcutta port which disrupted exports, besides non-availability of adequate shipping space due to oil crisis. The decline was confined mainly in respect of the such as the UK, Sudan and ARE. Exports to the UK declined from Rs 39.4 crores in 1972-73 to Rs 35.6 crores in 1973-74. Exports to the USSR at Rs 32.6 crores were only marginally higher. Among the other markets the rewas an improvement in exp to Iraq, Iran, the USA. Germany and Netherla The principal market for packet tea is Sudan follo by Dubai, Afghanistan, Ba in and Qatar. Packet te finding its market in the and the USSR also. The nificant feature in the ex of green tea was the incr in exports to non-traditic markets such as Japan and USA Afghanistan is our pri pal customer for this of tea.

With the regulation exports under quota tem, the year 1973-74 witn ed a significant decline in quantity of semi-proces items of leather. Howe the overall aggregate exp earnings from leather leather manufactures Rs 171.3 crores in 197 were lower by only Rs crores as compared to exp in 1972-73, owing to hig unit value realisation. ports were also affected to a slowing tendency in international market af the boom conditions vailing in 1972-73.

Better Unit Realisation

The unit value realisat in respect of important ite such as fish, tobacco, iron cashew kernels, coffee, sug vegetable oils, oilcakes, cot piecegoods, spices and leat manufactures etc, show significant increase dur 1973-74, with the excepti of jute manufactures wh declined by nearly six cent in terms of unit value.

India's exports made further advance by 38.5 cent during the first n months of 1974-75 over high growth rate of 26 cent achieved in 1973- The growth in exports of t order, though below 58 cent expansion in impor was yet significant in the co text of various constraints both agricultural and indu trial production viz. seve power cuts, shortages of sential inputs and transp bottlenecks at various point

The commodity wise an lysis of the statistics ava

le for the first half of 74-75 showed that in terms f absolute value major participants in the growth have een sugar, engineering goods, te manufactures and cotton extiles (including cotton aparel). The combined increase om these four items amunting to Rs 270 crores acounted for nearly 63 per ent of the total increase of bout Rs440 crores that occurd in India's overall exports luring April-September, 1974 s compared to the corresponding period of 1973.

A steep rise in exports of sugar has been largely due to price boom in the international sugar market coupled with larger quantities of sugar released for exports. The exports of sugar during April-September, 1974 were substantially higher at 240.6 thousand tonnes valued at Rs 100.7 crores against 43.1 thousand tonnes valued at Rs 5.6 crores in the corresponding period of 1973. Iran emerged to be the largest market followed by the USA. The exports by STC during the first nine months ending December 1974 are estimated to be around 4.33 lakh tonnes valued at Rs196.3 crores.

Engineering Steady

The exports of engineering goods continued to maintain their upward trend during the current financial year, despite the various constraints on export production, viz. power shortage, shortage of critical raw materials, etc. During the first six months April-September 1974-75, exports of engineering goods reached a total of Rs 141 crores thereby registering a rise of about Rs 65 crores or about 85 per cent over the corresponding period of the previous year. Export of the jute manufactures showed considerable recovery and rose from 2.76 lakh tonnes valued at Rs 111.2 crores in April-September 1973 to 3.55 lakh tonnes valued at Rs 169.4 crores during April-September, 1974.

The growth of exports suffered considerable setback as a result of prolonged strike in jute industry with effect from January 7, 1974 which more than offset the advantage resulting from substantial reduction in export duty on carpet backing in December 1974. The exports of cotton textile (mill-made) went up substantially to Rs 159 crores during April-September 1974 from Rs 99 crores in the same period of 1973. The increase was most pronounced in cotton apparel which at Rs 48 crores were three times as compared to exportsw orth Rs 16 crores in the corresponding period of the previous year.

Piecegoods Decline

Inspite of the fact that cotton piecegoods, the largest items of the group, suffered a decline of about 88 million sq. metres or 29 per cant in terms of quantity, the value of exports increased by about 20 per cent to Rs 77 crores during April-September 1974 from Rs 65 crores in the corresponding period of 1973. This improvement in earnings was on account of a significant rise in the unit value realisation. Other cotton manufactures also registered an appreciable increase.

The export performance was also quite significant in respect of other items such as tea, cashew kernels, tobacco, coffee, chemical elements and compounds, handicrafts, lac, mica, finished leather, cement, silver, naphtha, basmati rice and bitumen in terms of value. In the case of tea, exports during the period amounting to 93.4 million kg. valued at Rs 881 crores showed a fall of 1.5 millions kg. in the quantity but a rise of Rs 28.1 crores in value due to 49 per cent increase in unit value realisation. The second half of the year witnessed recovery in terms of quantity as well. Table II shows the principal items of export which registered increases during April-September 1974 as compared with the corresponding period of the preceding year.

As against the general rising trend there has been a sizeable decline in the export of some important products viz. oilcakes, semi-processed leather (E.I. tanned and chrome tanned), iron ore, iron and steel and fish and fish preparations.

Oilcackes Slacken

After witnessing a period of boom over the first two years, the international market for oilcakes has been slackening largely as a result of reported bumper crop of soyabean in the USA and Canada. The exports of oilcakes while amounting to 377 thousand tonnes valued at Rs 43.6 crores witnessed a fall of about 41 per cent in quantity and 52 per cent in respect of value.

During the same period, exports of semi-processed leather (E.I. tanned and chrome tanned) declined by Rs 30.2 crores or 36 per cent, fish and fish preparations by Rs 9.9 crores or 24 per cent, and iron ore by Rs 5.9 crores or 11 per cent. Iron and steel exports fell by Rs 12 crores from Rs 15.6 crores. Although Indian finishee leather and footwear ard doing somewhat better than last year, there has been substantial decline in semi-processed leather viz. E.I. tanned and chrome tanned hides and skins, attributed mainly to declining demand in the western countries due to a huge accumulation of stocks, money squeeze and closing of tanneries for fear of pollution, apart from keen competition from Argentina, Pakistan and African countries.

—

Almost the same factors, such as, accumulation of stocks and the tight money situation seem to have influenced adversely the demand for Indian fish in the major importing countries viz. Japan and the USA. The deterioration in iron ore was mainly on account of continuation of the serious problems of railway movement culminating in all-India railway strike in the month of May, 1974. In the case of iron and steel, the internal shortage

TABLE II

Principal Items of Export Registering Increases

(Rs in crores)

Commodity	April—September		Increase in April-September 1974 over April—September 1973
	1973	1974	
Tea	60.0	88.1	28.1
Jute Manufactures	111.2	169.4	58.2
Engineering Goods	75.9	141.1	65.2
Cotton Piecegoods	77.3	93.6	16.3
Handicrafts	59.0	84.7	25.7
Chemicals and Allied Products	17.1	43.6	26.5
Tobacco Unmanufactured	44.2	55.6	11.4
Cashew Kernels	46.2	66.1	19.9
Coffee	26.4	32.8	6.4
Spices	20.3	22.8	2.3
Vegetable Oil (Non-Essential)	19.1	27.5	8.4
Cotton Apparel	15.9	48.3	32.4
Finished Leather	7.4	15.4	8,0
Fabrics of Artsilk and Synthetic Fibre and Spunglass mill-made	8.2	10.7	2.5
Sugar	5.4	100.7	95.1
Rice	0.7	8.0	5.3

reduced the abailability for exports.

Table III shows the extent of decline in the exports of principal items during April-September 1974, as compared to the corresponding period of 1973.

Excepting the decline in oils and oilcakes, most of the important items of exports fetched higher unit value realisation during April-September, 1974, when compared to the realisation made in the same period of last year. The rise in the unit value was, however, most pronounced particularly in the case of sugar.

Significant Expansion

The first six months of 1974-75 witnessed expansion in India's export trade with all the regions of the world. Among the advanced regions, exports to the American region recorded a significant rise of about 62 per cent from Rs 158 crores in April-September 1973 to Rs 256 crores in April-September 1974. The USA was the largest market during the period with the total offtake at a value of Rs 217 crores. During the same period, India's exports to western Europe and eastern Europe were higher by nearly 26 per cent and 34 per cent respectively. It may be interesting to observe that despite recessionary trends, India's exports to the USA increased at a higher rate than in 1973-74.

Exports to the ECM countries also rose but at a comparatively lesser pace. There was a significant increase in the exports to the UK from Rs 119 crores during April-September 1973 to Rs 155 crores in the same period of 1974. India's export to the USSR were also higher at Rs 216 crores as against Rs 156 crores in the corresponding period of 1973. The rate of growth of exports to eastern Europe has improved considerably from 1.8 per cent in full year 1973-74 over the preceding year, to 34 per cent during April-September 1974 as compared to the same period of 1973.

Exports to the USSR which recorded a decline of about seven per cent in 1973-74, registered an increase of over 38 per cent in April-September 1974, the USSR was our second largest market during the period. In the case of ESCAP region the exports increased by 26 per cent. Increase in the exports to Iran was from Rs 13 crores during April-September 1973 to Rs 69 crores during April-September 1974. As against this, exports to Japan showed a fall of about 18 per cent, from Rs 169 crores to Rs 139 crores over the same period.

More to Africa

India's expoarts to the region of Africa during the period more than doubled to Rs 83 crores. Sudan alone accounted for most of the increase; exports to that country have risen from Rs 6.3 crores in April-September 1973 to Rs 25.5 crores in the same period of 1974. From the current trend if appears that our exports to the Gulf countries and Iran are picking up well in the current financial year. During April-September 1974 exports to the Gulf countries aggregated Rs 163 crores against Rs 49 crores in the corresponding period of 1973.

Imports

Imports increased substantially by Rs 1054 crores or 56 per cent from Rs 1867 crores in 1972-73 to Rs 2921 crores in 1973-74. The increased imports were influenced by sharp rise in the international prices of a number of commodities which figure prominently in the import bill.

In absolute terms, imports of four commodity groups, viz. foodgrains, petroleum and petroleum products, machinery and fertilisers recorded substantial increase. The largest increase in imports took place in respect of foodgrains which went up by as much as Rs 392 crores from Rs 81 crores in 1972-73 to Rs 473 crores in 1973-74. There was also an increase in the value of imports of iron and steel, non-ferrous metals, chemicals and vegetable oils. On the other hand, the main items which recorded decline during 1973-74 include raw cotton and transport equipment.

The import position during 1973-74 in respect of important items is discussed in the following paragraphs:

(*1*) *Foodgrains*: Out of the total value of imports of cereals and cereal preparations (grains, pulses and flour and preparation thereof) amounting to Rs 473 crores in 1973-74, wheat imports alone amounted to Rs 436 crores, showing an increase of Rs 298 crores. In terms of quantity, the increase in imports was of the order of 25.7 lakh tonnes to the total imports of 30.7 lakh tonnes. Wheat imports were costlier by 16.5 per cent in 1973-74 over the preceding year. Higher imports were necessary due to difficult food position in the country as a result of the failure of monsoons, constraints in power supply, reduced wa level in the irrigation syst and inadequate availabil of inputs such as seeds a fertilizers, etc. Our sources supply of wheat were the U (Rs 195 crores, the USSR (109 crores) and Canada (42 crores).

(*2*) *Petroleum Crude* *Petroleum Products*: Impo of petroleum crude a petroleum products creased from Rs 204 cro in 1972-73 to Rs 560 crores 1973-74 showing an increase Rs 356 crores or 974 cent. Petroleum crude a partly refined alone increa from Rs 145 crores to Rs 4 crores. The escalation in prices towards the end of year was largely responsi for the sharp rise in the i port bill. The c.i.f. unit va of import for crude shar rose to an average of abo Rs 300 per tonne during 19 74 as compared to about 121 a tonne in 1972-73. T quantity of crude petrole imports in 1973-74 was hig by 15-16 per cent at 1 million tonnes.

Capital Imports

(*3*) *Machinery*: The val of imports of machinery bo electric and non-electric we up by about 25 per cent fr Rs 432 crores in 1972-73 to 541 crores in 1973-74 so as sustain the tempo of devel ment. Imports of machine other than electric amount to Rs 416 crore in 1973 showed a rise of Rs 116 cro or 40 per cent over 1972- While imports of pov generating machinery, off machines, machinery special industries a machinery appliances a machine parts (n.e.s.) regis red an increase, those metal working machinery w lower. Imports of agricultu machinery and implements a textiles and leather machin remained at the previous yea level. The imports of electri machinery, apparatus a appliances amounting to 124 crores registered a d line of Rs 10 crores or ei per cent.

(*4*) *Fertilizers*: The ti

TABLE III

Decline in the Exports of Principal Items

(Rs in crores)

Commodity	April-September		Decline in April-Sept 1974 from April-Sept 1973
	1973	1974	
Caster oil	18.7	12.7	6.0
Oilcakes	90.5	43.6	46.9
Fish and Fish Preparations	41.7	31.8	9.9
Iron Ore	55.2	49.3	5.9
EI Tanned Hides and Skins	45.2	31.4	14.0
Chrome Tanned	39.0	22.8	16.2
Iron and Steel	15.6	3.6	12.0
Wood, Lumber and Cork	11.9	8.2	3.7

ational supply position
l difficulties in impor-
adequate quantities of
ers even at the higher
. Nevertheless, there
further rise in the im-
of fertilizers (both crude
manufactured) reflecting
ng requirements in the
ry. The import of manu-
red fertilizers increased
17.7 lakh tonnes valued
96 crores in 1972-73 to
lakh tonnes valued at
62 crores in 1973-74.
e the quantity imported
ased by 16 per cent, the
ase in value was of the
r of 69 per cent thereby
cting the impact of price
The increase in the unit
e was of the order of
ut 45 per cent at Rs 791
tonne. The USA, Federal
ublic of Germany, Japan
Netherlands were the
n suppliers. In the case of
de fertilizers (mainly rock
sphate) while the value
mports doubled to Rs 21
res, there was an increase
only 17 per cent in the
antity imported at 9.1
h tonnes in 1973-74.

el Decline

(5) *Iron and Steel*: Imports
clined by about 17 per cent
terms of quantity during
73-74. The value of imports
wever increased by7.4 per ce-
from Rs 226 crores in 1972-
to Rs 243 crores in 1973-74
ving to increase in world
ices. Imports of all the
ajor categories of iron and
eel excepting ingots and other
rimary forms have shown
crease in value. The impor-
of most important single
roup, namely, universals,
lates and sheets of iron and
eel increased slightly from
s 141 crores in 1972-73 to
s 143 crores in 1973-74.

(6) *Non-ferrous Metals*:
he international prices in res-
ect of non-ferrous metals
vitnessed comparatively lar-
er increase than that of iron
nd steel. As a result, theim-
ort, though lower in terms
of quantity, showed increase
n terms of value from Rs 109
crores in 1972-73 to Rs 140
crores in 1973-74. Imports of
copper, the largest item in the group, increased by about 36 per cent from Rs 51.9 crores to Rs 70.9 crores. Imports of zinc were higher by about 21 per cent rising from Rs 22.9 crores in 1972-73 to Rs 27.7 crores in 1973-74. The c.i.f. unit value of imports of copper and zinc registeted a rise of about 41 per cent and 48 per cent respectively during 1973-74 over the level prevailing in the previous year.

(7) *Transport Equipment*: The total value of imports of transport equipment declined by Rs 12 crores in 1973-74. The items of imports which recorded increase include parts of railway locomotives and rolling stock and ships and boats. On tha other hand there was marked decline in the import of aircrafts and road motor vehicles.

Lower Cotton Imports

(8) *Raw Cotton*: Imports of raw cotton declined to 57,000 tonnes (or half of the previous year's quantity) valued at Rs 52.1 crores in 1973-74 from 113,000 tonnes valued at Rs 90.9 crores in 1972-73 largely on account of good domestic crop.

(9) *Vegetable Oils*: The country faced considerable shortage of vegetable oil required for industrial uses. There was thus a substantial inerease in the import of palm oil from Rs 0.3 crores in 1972-73 to Rs 25.0 crores in 1973-74. Soyabean oil was also imported in larger quantities. The import of this item increased by about Rs 7 crores to Rs 21.4 crores in 1973-74 from Rs 14.6 crores in 1972-73. The international prices of these oils also ruled higher during the year.

The unit value of a majority of our imports recorded a significant increase in 1973-74. For instance, the percentage increase in unit value of imports was 16.5 per cent in the case of wheat, 148 per cent in the case of petroleum crude and partly refined, 45 per cent in respect of fertilizers manufactured, 41 per cent and 48 per cent in the case of copper and zinc

respectively and 14 per cent in the case of raw cotton. There was also a substantial increase in international prices of edible oils, iron and steel etc.

During 1973-74, while imports into India from all the regions increased, the rise was quite significant in respect of imports from America, Asia and east European countries. The imports from the American continent increased significantly from Rs 366 crores in 1972-73 to Rs 665 crores in 1973-74 or by 82 per cent, imports from the USA, having more than doubled to Rs 483 crores as a result of higher purchases of wheat, fertilizers and machinery. Imports from westerm European area were higher by nearly 20 per cent. The ECM countries accounted for bulk of these imports which amounted to Rs 683 crores in 1973-74 showing a rise of 18.5 per cent. Larger supplies of machinery, iron and steel, chemicals, precious stones and transport equipment from these countries were responsible for the rise in imports.

Imports from the east European countries rose by 70 per cent to Rs 393 crores. Imports from African region were only marginally higher at Rs 167 crores in 1973-74. Imports of cotton from Sudan, the principal trading partner in the area, were considerably curtailed due to comfortable supplies at home. Imports from Kenya and Zambia were higher due mainly to larger arrivals of copper.

Impact of Inflation

The impact of world inflation was felt more severely on our imports this year. Imports during the first nine months—April-December of 1974-75 were of the order of Rs 2928 crores (provisional) showing a rise of 58 per cent over the corresponding period of 1973-74. Commodity-wise break up available for the first half, April-September, 1974 shows a steep rise in the imports of petroleum crude and petroleum products. Imports of petroleum crude and petroleum products amounting to Rs 586.5 crores in April-September, 1974 recorded an increase of Rs 433.9 crores or 284 per cent over April-September, 1973. The c.i.f. unit value of imports of crude during April-September, 1974 at Rs 661 per tonne was almost four to five-fold higher than in the corresponding period of 1973. There have also been substential increases in respect of foodgrains and fertilizers and iron and steel. Import of foodgrains at Rs 252 crores almost doubled. The imports of fertilizers increased by 154 per cent to Rs 137 crores accompanied by 116 per cent rise in prices. While imports of chemicals, non-ferrous metals, machinery and transport equipment also witnessed significant rise, imports of cotton, have been substantially lower during the first half of 1974-75.

Table III shows the imports by broad commodity groups during 1972-73, 1973-74 and April-September 1974-75 (with comparative figures of 1973-74).

Overall Increase

During April-September, 1974 India's imports from all the regions increased. The rise in imports from Asia and East Europe was particularly significant. The Asian region became our foremost supplier accounting for 43 per cent of total imports in April-September, 1974 as against nearly 30 per cent during the same period of 1973. Imports from Iran, Iraq and Saudi Arabia were substantially higher because of high oil prices. Imports from Japan and Australia were also higher. Western Europe was the next important source, accounting for 20.8 per cent of total imports. While imports from West Germany at Rs 139 crores were higher by 81 per cent, imports from the UK at Rs 97 crores were lower by 18 per cent.

Imports from east Europe almost trebled to Rs 329 crores, the USSR accounting for most of the increase. Imports from this area formed 17 per cent of our imports during April-September 1974. North America came next accounting for 15 per cent of the imports, the USA being the principal trading partner with imports valued Rs 216 crores, showing a rise of about eight per cent. Imports from African region increased by Rs 10 crores Rs 85 crores. Imports fr Sudan have dwindled to 1.4 crores from Rs 16.6 cro because of heavy curtailm of cotton purchases from t country. Imports from A were also lower.

TABLE IV

India's Imports — Commodity-wise

(Rs in crores

Commodity	1972-73	1973-74	April—Septemb 1973	197
Foodgrains	80.8	473.1	131.4	252
Cotton	90.9	52.0	32.8	14
Chemical Elements & Compounds	91.4	105.3	44.5	66
Fertilizers Mfrd.	96.3		53.7	137
Petroleum Crude & Petroleum Products	204.0	560.3	152.6	586
Iron and Steel	225.6	242.6	104.7	163
Non-ferrous Metals	109.1	139.6	61.6	84
Machinery	432.0	540.6	244.5	272.
Transport Equipment	100.1	88.4	40.1	46
Grand total of imports including other items and value of articles under referInce)	1867.4	2920.9	1111.7	1933.

TABLE V

India's Imports — Region-wise

(Rs in crores)

Region	1972-73	1973-74	April-September 1973	1974
Africa	165.1	167.3	75.4	85.
America	365.9	664.8	274.1	287.
North America	342.5	608.8	260.3	271.
Latin America	23.2	55.8	13.8	16.
Asia & Oceania	484.9	950.1	321.0	828.
ESCAP	400.6	668.8	249.9	506.
Other Asia and Oceania	84.3	281.3	71.1	322.
East Europe	231.1	392.8	114.9	328.
West Europe	620.5	741.4	325.8	402.
ECM	576.4	683.2	304.2	369.
EFTA	38.7	52.1	19.7	26.7

Note:—For foreign trade data relating to Jan-April, 1975 reference may be made to the feature from the Capitals' Corridors in this issue (p. 1342-43).

ASTERN ECONOMIST

INDEX TO VOLUME 64

Nos. 14 to 26

APRIL TO JUNE 1975

ABBREVIATIONS

Leading Articles	LA
Points of View	PV
From the Capital's Corridors	FCC
Window on the World	WW
Moving Finger	MF
Trade Winds	TW
Readers' Roundtable	RR
Books Briefly	BB
Records and Statistics	RS
Supplement	ST

(For Company Affairs see pages ii & v)

Registered Office :

UCO BANK BUILDING

Parliament Street, New Delhi-110001

A

Administration

Aid, Loans and Grants

Aviation

B

Banking, Money and Finance

Books Briefly

Budget

C

Collaborations

Company Affairs

ASTERN ECONOMIST

CFTRI
HR

INDEX TO VOLUME 65

Nos. 1 TO 13

JULY TO SEPT. 1975

ABBREVIATIONS

Leading Article	LA
Point of View	PV
Capital's Corridors	CC
Window on the World	WW
Trade Winds	TW
Books Briefly	BB
Records and Statistics	RS
Supplement	ST

(For Company Affairs see pages 394 & 397)

Registered Office :

UCO BANK BUILDING

Parliament Street, New Delhi-110001

D

E

Economy

Exhibitions and Fairs

Exports

F

Fertilizers

Food and Agriculture

G

H

I

Imports

Industry

International Affairs

Iron and Steel

J

Jute

K

L

Labour and Employment

Leading Articles

M

Minerals and Metals